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U.S. INTERESTS IN, AND POLICIES TOWARD, THE PERSIAN GULF, 1980

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON
EUROPE AND THE MIDDLE EAST

OF THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

SECOND SESSION

MARCH 24; APRIL 2; MAY 5; JULY 1, 28; AND SEPTEMBER 3, 1980

Printed for the use of the Committee on Foreign Affairs

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[1] Resigned June 3, 1980.

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U.S. INTERESTS IN, AND POLICIES TOWARD, THE PERSIAN GULF, 1980

MONDAY, MARCH 24, 1980

House of Representatives,
Committee on Foreign Affairs,
Subcommittee on Europe and the Middle East,
Washington, D.C.

The subcommittee met at 2:15 p.m., in room 2200, Rayburn House Office Building, Hon. Lee H. Hamilton (chairman of the subcommittee) presiding.

Mr. Hamilton. The meeting of the subcommittee will come to order.

Today, the Subcommittee on Europe and the Middle East starts a series of hearings on the recently formulated Carter doctrine, which is apparently designed to protect U.S. interests in the Persian Gulf and Indian Ocean region.

In hearings with the State Department today, the Defense Department and the Arms Control and Disarmament Agency on Wednesday, and with public witnesses and experts in April, the subcommittee wants to acquire a better understanding of what the Carter doctrine is and to examine the political, economic, and military components of the policies being formulated to implement the doctrine.

It is clear that the recent invasion of Afghanistan by the Soviet Union and other political developments in the Southwest Asia region have caused considerable anxiety among states in the Middle East and the Persian Gulf.

The United States and its allies have important national interests in the Persian Gulf. For the next decade or two, we and our allies will have to depend on this oil-rich area for considerable portions of our energy requirements. The stability, balanced economic, political, and social growth, and independence of the States in this region become essential for the promotion of both our interests and those of our allies. It is critical in this process that our political policies and those of our friends and our unilateral military policies proceed apace and form a coherent whole.

We are happy to have with us today to start this inquiry Assistant Secretary of State for Near Eastern and South Asian Affairs Harold Saunders.

Mr. Saunders, you have a prepared statement and you may proceed. Your statement, of course, will be included in the record in full. I have just been handed your statement, so I have not had an opportunity to read it. So you may proceed as you wish.

We are also very happy to have Joseph Twinam, Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs, with us.

STATEMENT OF HON. HAROLD H. SAUNDERS, ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS

Mr. **Saunders.** Thank you very much, Mr. Chairman.

I think I might also suggest, Mr. Chairman, that the committee might want to include in its record the text of Secretary Vance's address to the Chicago Council on Foreign Relations on March 3 on this very subject. I think for the completeness of your documentation from the Department, it would be worthwhile to have that.

Mr. **Hamilton.** Without objection, the speech will be entered in the record in full.[1]

Mr. **Saunders.** Let me just say that I welcome this hearing on this important subject. Our meetings together offer a valuable opportunity, from my point of view, to discuss the conceptual framework of the policies that we pursue. This, of course, is an area that we have not talked about in detail recently. It is, from the administration's point of view, a most welcome development that you are holding this series of hearings and I am glad to be able to start the process.

Let me also say by way of introduction that all of us together here, I believe, are treading upon new paths in developing the details of the policy which the President has enunciated. So we are beginning a process here of exchanging views on how to carry out a policy, which I believe, in general terms, all of us, you in the Congress and we in the executive branch, agree on. But it is, I think, the beginning of a dialog between the Congress and the executive that could be very fruitful as we get down in later days to considering specific actions that are necessary to follow through in the implementation of this policy.

DEVELOPMENTS SHAPING CHALLENGE IN REGION

The President, of course, in his state of the Union message defined three of the important developments that have helped to shape the challenge within this region. He mentioned the steady growth and increased projection of Soviet military power beyond its own borders, as exemplified, of course, in the invasion of Afghanistan.

Second, he mentioned the dependence of the Western democracies on oil supplies, particularly from this region; and, third, he pointed to the presence of social, religious and political change in many nations, particularly in this area.

As he pointed out in his state of the Union address, all of these factors interact, and we must think of them all as parts of a larger whole.

I would also recall two statements that I have made repeatedly in this subcommittee in talking about this area over the past almost 2 years now.

First, more significant American interests come together in this part of the world than in any other area in the developing world today. These interests are being further challenged by the actions of the Soviet Union.

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[1] See app. 2, p. 401.

Second, in one of the fastest changing areas of the world, the issue for U.S. policymakers is not how to arrest change, but how to understand its causes and to decide how to work with the governments of the area to channel change into constructive channels.

Our purpose today is to reflect on the policy that is appropriate for the United States given the importance of our interests, the threat to them, and the complex forces at work in the area itself. In a word, the point that I would like to consider with you today is this: We will have to bring to bear a broad range of resources in cooperation with friends and allies in a sustained effort to protect our interests and to help nations in this area to preserve their independence, and channel change in constructive directions. Our policy cannot rest on one-track solutions, but will require an intensified effort over time which will further expand and deepen our role in the area.

SOVIET THREAT

I think a word is appropriate at the outset of these hearings on the Soviet threat to the area. As one who has enumerated the list of American interests in this area over the years, I believe a principal one of those interests has been to prevent the establishment of a position by the Soviet Union or any other adversary in this area which could affect our access to it, which could undermine the region's security, and lead to confrontation. In the wake of the Soviet move in Afghanistan, this has become more urgent, and it is important for us to define the exact nature of the threat.

The threat of overt Soviet aggression is the easiest one to define. In Afghanistan, that threat became a reality in December.

Looking to the future, while we cannot be certain about the exact nature of Soviet intentions, we must take seriously the possibility of further Soviet moves. People in this region have long expressed concern that the Soviet objective is to achieve a path to warm waters through Baluchistan, or perhaps to the gulf through Iran, with the additional objective there of controlling the West's access to its principal oil supplies.

There is also the concern that the continuing lack of strong central authority in Iran could create a situation similar to that after World War II when the Soviet Union occupied a part of Iran. Some people also fear that the growing openness of the actions of the Communist Party in Iran can in some way, over the longer term, create conditions within Iran which could be exploited by the Soviet Union in this way.

There are other potentially dangerous developments in the area which are less easy to characterize because the exact nature of Soviet involvement may not be so clear as it is in the case of overt military aggression. For instance:

The Soviet Union has a significant presence in South Yemen. Eastern European and Cuban representatives are also active there. When the South Yemeni military forces moved into North Yemen a year ago, neither the Soviets nor Cubans crossed the border as far as we know, but the South Yemeni forces may have been able to do so themselves only because of the Soviet, Cuban, and Eastern European support which lay behind them.

The Soviet Union has also provided support to a number of governments and liberation organizations in this area. In my view, as we discussed when we talked about the Moroccan situation a few weeks ago in this subcommittee, the issue is not whether the Soviets control those governments or organizations. The issue is whether the Soviets have positioned themselves to take advantage, for their own purposes, of situations in which the interests of both parties coincide. In many such circumstances the Soviet role would be apparent, but the degree of direct Soviet responsibility for their actions will be more difficult to determine.

It is also true that a permanent Soviet domination of Afghanistan would enhance Soviet capabilities for support of subversion and other forms of pressure on governments nearby in the area.

At a level even below this there are continuing Soviet efforts to penetrate various institutions in the area so as to take advantage of unstable situations where they arise.

U.S. POLICY IN AREA

Turning to the U.S. position and policy toward this area, you all are familiar with the paragraph in the President's state of the Union message in which he said:

> Let our position be absolutely clear: An attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America, and such an assault will be repelled by any means necessary, including military force.

The question at the center of our discussion today is: What policy follows from that firm statement of the U.S. position?

The answer, in the President's words, is:

> We are prepared to work with other countries in the region to share a cooperative security framework that respects differing values and political beliefs, yet which enhances the independence, security and prosperity of all.

COOPERATIVE SECURITY FRAMEWORK

It seems to me, Mr. Chairman, those words, "a cooperative security framework," are at the center of the subject which you have identified as the focus for your hearings. What is that cooperative security framework? How does one develop it? What are the components of it?

As we move forward to strengthen our relations in this region, to work with the states there to check Soviet pressure, and to foster orderly development, we must also be conscious of the need to build our approach to the complex issues of this region on a solid strategic foundation, and the elements of this are spelled out in my fuller report.

I would simply point out that the foreign assistance programs that we have considered together in the subcommittee are an important part of the programs involving U.S. resources committed to the work of achieving stability in this region.

The point here is that U.S. policy must bring to bear the diplomatic, economic, and political, as well as the military elements of American power. It must take into account the relationships among the nations in the area which are determined to preserve their own independence.

DIVERSITY OF AMERICAN RESPONSES

There is no single American response that will meet the challenge posed by the multifaceted developments in this area or can take advantage of the broad range of resources available to meet it. Our effort must be fourfold.

First of all, we must respond in the security area. I believe the United States today must take the leading role and bear a major burden for the military capability to buttress the area's security, but in doing so it is essential that we continue to work with our friends in the region and with our allies outside the region who have strong interests there.

As the President made clear in his state of the Union address, we are increasing our own defense effort and improving our capability to deploy U.S. military forces rapidly to distant areas, such as those in this region.

We have also pursued our own military supply relationships with a number of nations in the area. These contribute not only to their own self-defense capabilities, but to their feeling of stability and their willingness to share in the common security effort.

In addition to our building the military deterrent which I have mentioned, our continuing objective is to make the Soviet Union pay a concrete price for its aggression in Afghanistan. I believe the actions that we have taken have been spelled out on a number of other occasions.

The second area for our response is in the political area. The United States has to develop a constructive relationship with each nation in the area in the preservation of its own independence. In doing this, we seek no special advantage for ourselves.

The United States has worked hard over the years with many of the governments in this area to help them bring about economic and social progress. We have felt that helping those governments to provide fuller participation for their people in shaping their future is essential in human as well as in political terms.

In dealing with all the internal pressures for change that stem from modern technology and education, from industrialization, and from large oil revenues, traditional governments across this area are also struggling with the question of how to broaden the sense of political participation of their citizenry in determining the directions that their countries take.

The United States has the advantage of being a trusted partner in this enterprise. We are well able to live with and indeed promote diversity of many different political systems in the world, unlike the other major power. This reflects the way we operate in our own society.

As the President has made clear in his state of the Union address:

> We believe there are no irreconcilable differences between us and any Islamic nation. We respect the faith of Islam and we are ready to cooperate with all Moslem countries.

I might add here, parenthetically, that the very taking of the hostages in itself, the main problem between us and Iran today, is in violation of Islamic principles and tradition.

My point here is simply that we can live with diversity. We can live with the efforts of nations who make their own choices to develop their own futures in their respective ways. I believe that this is a source of strength for us and not a weakness.

The third element in our response is the diplomatic aspect of our response focusing principally on the Arab-Israeli peace process. The role which outside powers will play in this region will result in part from their ability to help with the just reduction of tensions within the region, tensions which increase its vulnerability to external exploitation.

It seems to me that there can be no better demonstration of the power of effective diplomacy than the success that was achieved at Camp David and the Egyptian-Israeli peace treaty that followed. The United States has played and will continue to play a significant role in helping to achieve a negotiated resolution of the Arab-Israeli conflict which sustains the security of Israel and respects the sovereignty, territorial integrity and independence of every state in the area.

Resolution of the Arab-Israeli conflict has long held high priority among our national objectives. Our efforts predate the Soviet invasion of Afghanistan. No foreign policy issue, as the Secretary of State said here last week, has occupied more of President Carter's and his own energies and attention for the past 3 years.

MIDDLE EAST NEGOTIATIONS

We shall continue to do everything in our power to help Israel and Egypt complete their peacemaking task. The security of Israel is essential to success of this effort and is in the strategic interest of the United States.

You are familiar, all of you, with the ongoing efforts to achieve success in the negotiations between Egypt and Israel looking to autonomy for the inhabitants of the West Bank and Gaza. The President's invitations to Prime Minister Begin and President Sadat afford an opportunity for those three to review progress in those negotiations, and decide their future course.

Progress toward a just and lasting peace is essential in avoiding another war. Such a war would increase pressure for Soviet intervention. But it is also true that the implications for stability in this area reach further. Unresolved, the Palestinian problem represents a cause that can ignite unrest in the Arab States and popular feeling in the Islamic and Third World States.

Elements of the Palestinian movement are enmeshed in the social and political evolution of the Middle East and are factors in determining the wider future stability of the area. At the same time, it is critical that the Palestinian problem be resolved in a way that assures the security of Israel, for without that assurance there can be no peace.

Finally, the economic response to the threat is the fourth area of our efforts. In the gulf and in the Arabian Peninsula, it remains our policy to encourage the governments there to cooperate in the interest of the region's security and orderly growth, and our dialog on economic issues is an important part of our effort. We have worked closely with certain of the gulf governments, notably Saudi Arabia, in cooperative diplomatic, economic, and security assistance efforts to bolster states in the wider region.

OIL PRODUCTION

The gulf oil producers welcome our own progress toward an effective energy policy. Increasingly in our consultations with them, including several Cabinet level discussions in the last 6 months, we have made progress in developing a sense of common interest of producers and consumers in assuring orderly markets. This involves demand restraint by the consuming nations and a willingness of producers to provide at times more oil than their domestic income needs require.

By so doing, certain producers there have acquired large financial surpluses. They have devoted some of these resources to development assistance for others, and they have been responsible as international investors.

It is important to our interest that we work more closely with these governments to increase their responsible participation in the international financial system and their cooperation in the pursuit of stable world financial markets and orderly growth in the developing world.

We can count on these nations to assist in the cost of providing security in the area, keeping in mind, however, that we cannot shift the burden of security in a region which is vital to us as well.

The history of the American relationship with Saudi Arabia and its gulf neighbors has involved the transfer of American technology. We continue, both through government channels and the private sector, to play an important role in providing U.S. technical knowledge to help these countries develop in an orderly fashion.

Our commercial activities have grown increasingly beneficial to our own economy and have developed into strong bonds of common economic interest which bolster our overall relationship with the states of this strategically vital region. We must continue as a Government to facilitate, and as a Nation to pursue, this key aspect of our relationship with the region.

In summary, Mr. Chairman, I would simply go back to the statement that I made at the beginning of my remarks. I believe that no single American response will be adequate to meet the challenge. Our response is the combination of approaches. The characteristics of our military response are perhaps the newest element in our approach to this region, but even in those areas where activities have been ongoing and are familiar, I believe, we will want as a Nation to pursue an intensified approach to the area with greater attention to each of the elements of our strategy there.

Thank you very much, Mr. Chairman.

[Mr. Saunders' prepared statement follows:]

PREPARED STATEMENT OF HON. HAROLD H. SAUNDERS, ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS

U.S. POLICY TOWARD THE PERSIAN GULF, SOUTHWEST ASIA, AND INDIAN OCEAN AREA--A COOPERATIVE SECURITY FRAMEWORK

Introduction

Developments in recent months have focused attention on the Persian Gulf, Southwest Asia and Indian Ocean areas with new intensity. Our discussion today provides another of those opportunities which I have been privileged to share with this Subcommittee to step back and to develop the conceptual framework within which U.S. interests are being pursued in this critical area.

The President himself in his State of the Union address defined three basic developments that have helped to shape our challenges within this region:

-- First: "the steady growth and increased projection of Soviet military power beyond its own borders;"

-- Second: "the overwhelming dependence of the Western democracies on oil supplies from the Middle East;" and

-- Third: "the presence of social and religious and economic and political change in the many nations of the developing world--exemplified by the revolution in Iran."

As the President said, "Each of these factors is important in its own right. Each interacts with the others. All must be faced together."

The national attention now being directed at this area requires repetition of two fundamental points that have been stated frequently in our discussions about the Middle East and Southwest Asia over the past two years:

-- First: More significant American interests come together in this part of the world than in any other area of the developing world today. These interests are being further challenged today by the actions of the Soviet Union.

-- Second: In one of the fastest changing areas of the world, the issue for U.S. policymakers is not how to arrest change but to understand its causes and to decide how to work with the governments of the area to channel it in constructive directions.

Our purpose here today is to reflect on the policy that is appropiate for the United States given the importance of our interests, the threat to them, and the complex forces at work in the area itself. In a word, the point I would like you to consider is this: We will have to bring to bear a broad range of resources in cooperation with friends and allies in a sustained effort to protect our interests and to help nations in this area preserve their independence and channel change in constructive directions. Our policy cannot rest on one-track solutions but will require an intensified effort over time which will further expand and deepen our role in the region.

The Soviet Threat

A prime interest of ours in this area has long been to prevent the establishment of an adversary position which could affect our access, undermine the region's security and lead to confrontation. In the wake of the Soviet move into Afghanistan, this has become more urgent, and it is important to define the exact nature of the problem.

The threat of overt Soviet aggression is the easiest to define:

-- In Afghanistan, the threat of Soviet aggression became reality in December.

-- Looking to the future, while we cannot be certain about the exact nature of Soviet intentions, we must take seriously the possibility of further Soviet moves. People in this region have long expressed concern that the Soviet objective is to achieve a path to warm waters through Baluchistan or to move to the Gulf with the additional objective of controlling the West's sources of oil.

There is also concern that continuing lack of strong central authority in Iran could lead to repetition of Soviet occupation of portions of that country at the end of World War II. The growing strength of the Communist Tudeh party in Iran could contribute to a situation which the USSR could exploit.

There are other potentially dangerous developments in the area which are less easy to characterize because the exact nature of Soviet involvement may not be clear. For instance:

-- The Soviet Union has a significant presence in South Yemen. Eastern European and Cuban representativeds also play significant roles there. When South Yemeni military forces invaded North Yemen a year ago, neither Soviets nor Cubans crossed the border as far as we know, but the South Yemeni forces may have been able to do so only with that support.

-- The Soviet Union has also provided significant support to other governments and liberation organizations in this area. The issue is not whether the Soviets control those governments or organizations. The issue is whether the Soviets have positioned themselves to take advantage for their own purposes of situations in which the interests of both parties coincide. In many such circumstances the Soviet role will be apparent, but the degree of direct Soviet responsibility will be more difficult to determine.

— A permanent Soviet domination of Afghanistan would enhance Soviet capabilities for support of subversion and other forms of pressure on governments in the area.

— At a level even below this there are continuing Soviet efforts to penetrate various institutions in the area so as to take advantage of unstable situations where they can.

The U.S. Position and Policy.

The President issued a warning in his State of the Union address when he said: "Let our position be absolutely clear: An attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America, and such an assault will be repelled by any means necessary, including military force."

The question at the center of our discussion today is: What policy follows from that firm statement of the U.S. position?

The answer, in the President's words, is: "...we are prepared to work with other countries in the region to share a cooperative security framework that respects differing values and political beliefs, yet which enhances the independence, security and prosperity of all."

As we move forward to strengthen our relations in this region, to work with the states there to check Soviet pressure, and to foster orderly development, we must also be conscious of the need to build our approach to the complex issues of this region on a solid strategic foundation, which includes:

-- a strong U.S. economy, less dependent on foreign oil;

-- a vital Western alliance, capable of effective cooperation with the states of the Gulf in pursuit of common goals;

-- an increased U.S. military capability to project our strength into the region in a manner designed to promote security and stability;

-- a national will to press on to resolve one of the basic causes of instability in the area, the conflict between Israel and the Arabs;

-- a willingness to commit resources to promote the survival and independence of governments and peoples in the region who seek to work constructively with us toward the goals of peace and human dignity.

By pulling these strands together into a coherent strategy, we can provide strong, resolute, and understanding leadership which will give compelling reasons for most of the nations of the region to decide that it is in their interest to work closely with us to overcome forces of aggression, repression, and chaos.

U.S. policy must bring to bear the diplomatic, economic, and political, as well as the military elements of American power. It takes into account the relationships among the nations in the area which are determined to preserve their own independence. No single American response will meet the challenge posed by the multifaceted developments in this area or can take advantage of the broad range of resources available to meet it. Our effort must be fourfold.

The Security Response

It is evident that the U.S. today must take a leading role and bear a major burden for the military capability to buttress the area's security, but in so doing it is essential that we continue to work with our friends in the region and with our allies outside the region who have strong interests there. After World War II, the British played a primary role in the Gulf. In the 1950's we developed the Baghdad Pact, which later became the Central Treaty Organization. In the

1970's we found Iran to be a force for security in the region. Today the situation has changed, and these are no longer available.

As the President made clear in his State of the Union address, we are increasing our defense effort and improving our capability to deploy U.S. military forces rapidly to distant areas. The U.S. has increased and strengthened its own naval presence in the Indian Ocean, maintaining two carrier battle groups there since late last year and ordering a Marine amphibious unit to join them later this month. We are also discussing with some nations in the area the use of certain naval and air facilities in connection with current fleet activities. We will preserve our stand-by capability to use the necessary additional military force to assist threatened countries in the region in case of need. We will choose our means carefully to assure that U.S. actions do not generate local political liabilities that would detract from the effectiveness of our overall effort.

We have also pursued our military supply relationships with a number of nations in the area. These contribute not only to their own self-defense capabilities, but to their feeling of stability and their willingness to share in the common security effort.

The strength of the response to the challenge will lie both in the commitment of the nations of the region to it and in the breadth of the actions of others. In addition to our building the military deterrence which I have mentioned, our continuing objective is to make the Soviet Union pay a concrete price for its aggression in Afghanistan. While this invasion continues, we and the other nations of the world should not conduct business with the USSR as usual. We have imposed a number of economic and other sanctions, and sought a similar effort by our allies. These actions do not stand alone. They must be viewed by the Soviets together with the condemnation of the overwhelming majority of nations and the resistance of the Afghan people themselves. We are hoping thus to help press the Soviets to a realistic reassessment of their position and to withdrawal of their forces from Afghanistan.

The Political Response

The United States seeks a constructive relationship with each nation in the area in the preservation of its own independence. We seek no special advantage for ourselves.

The United States has worked hard over the years with many of the governments in this area to help them bring about economic and social progress. Their development has been among our most important objectives because we have felt

that helping those governments to provide fuller participation for their people in shaping their future is essential in human as well as political terms.

In dealing with all the internal pressures for change that stem from modern technology and education, from industrialization, and from large oil revenues, traditional governments across this area are also struggling with the question of how to broaden the sense of political participation of their citizenry in determining the directions their countries take.

For example, one of the issues in the Iranian revolution was the lack of broad political participation in decisions that were producing economic development which sometimes seemed at the cost of sensitivity to basic Islamic values. Each area leadership in its own way and in its own national context has to deal with such pressures and guide them in constructive directions.

The United States can be a trusted partner in this enterprise. The United States is well able to live with and indeed promote the diversity of many different political systems in the world. That reflects the way we operate in our own society dealing with citizens from diverse racial or national backgrounds with diverse economic and social interests.

Again to cite Iran for example: The revolution in Iran is a fact which we accept. The issue is not an American effort to turn the clock back there, but how the United States and the present government of Iran will deal with each other. In addition to the grave--indeed outrageous--human dimensions of the hostage crisis, a further question is how the U.S. and Iran can relate to each other and conduct business together until each side is ready to abide by the principles of international law. If those principles were accepted and the hostages safely released, the U.S. would be prepared to enter into discussions at some appropriate time to determine what basis exists for a relationship between our two countries.

As the President made clear in his State of the Union address, "We believe that there are no irreconcilable differences between us and any Islamic nation. We respect the faith of Islam and we are ready to cooperate with all Moslem countries." I might note here parenthetically that the very taking of hostages is itself a violation of Islamic principles and tradition.

The Diplomatic Response: The Arab-Israeli Peace Process

The role which outside powers will play in this region will result in part from their ability to help with the just reduction of tensions within the region which increase its vulnerability to external exploitation.

There can be no better demonstration of the power of effective diplomacy than the success that was achieved at Camp David and the Egyptian-Israeli peace treaty that followed. The U.S. has played and will continue to play a significant role in helping to achieve a negotiated resolution of the Arab-Israeli conflict which sustains the security of Israel and respects the sovereignty, territorial integrity and independence of every state in the area.

Resolution of the Arab-Israeli conflict has long held high priority among our national objectives. Our efforts long pre-date the Soviet invasion of Afghanistan. No foreign policy issue, as Secretary Vance said here last week, has occupied more of President Carter's and his energies and attention in the past three years. We shall continue to do everything in our power to help Israel and Egypt complete their peace-making task. The security of Israel is essential to success of this effort and is in the strategic interest of the United States.

Progress toward a just and lasting peace is essential in avoiding another war, which would increase pressure for Soviet intervention, but implications for stability reach further. Unresolved, the Palestinian problem represents a cause that can ignite unrest in the Arab states and popular feeling in the Islamic and Third World states. Elements of the Palestinian movement are enmeshed in the social and political evolution of the Middle East and are factors in determining the wider future stability of the area. At the same time, it is critical that the Palestinian problem be resolved in a way that assures the security of Israel, for without that assurance there can be no peace.

The negotiations now under way were agreed at Camp David as a first step in dealing with the issues of the West Bank and Gaza. The visits of President Sadat and Prime Minister Begin will provide an opportunity to review the status of those negotiations. We recognize the importance of building on the historic accomplishments already achieved by continuing progress toward a comprehensive Middle East peace.

The Economic Response

In the Gulf and in the Arabian Peninsula, it remains our policy to encourage the governments there to cooperate in the interest of the region's security and orderly growth, and our dialogue on economic issues is an important part of our effort. We have worked closely with certain of the Gulf governments, notably Saudi Arabia, in cooperative diplomatic, economic and security assistance efforts to bolster states in the wider region.

The Gulf oil producers welcome our progress toward an effective energy policy. Increasingly in our consultations with them, including several cabinet level discussions in the last six months, we have made progress in developing a sense of the common interest of producers and consumers in assuring orderly markets. This involves demand restraint by consuming nations and willingness of producers to provide at times more oil than their domestic income needs require.

By doing so, certain producers there have acquired large financial surpluses. They have devoted some of these resources to development assistance for others, and they have been responsible as international investors. It is important to our interests that we work ever more closely with these governments to increase their responsible participation in the international financial system and their cooperation in the pursuit of stable world financial markets and orderly growth in the developing world. We can count on these nations to assist with the cost of providing security in the area, keeping in mind, however, that we cannot shift the burden of security of a region which is vital to us.

The history of the American relationship with Saudi Arabia and its Gulf neighbors has involved the transfer of American technology. We continue, both through government channels and the private sector, to play an important role in providing U.S. technical knowledge to help these countries develop in orderly fashion. Our commercial activities in the region have grown increasingly beneficial to our own economy and have developed into strong bonds of common economic interest which bolster our overall relationship with the states of this strategically vital region. We must continue as a government to facilitate, and as a nation to pursue, this key aspect of our relationship with the region.

Summary

In short, I have underscored for you here the continuing complexity and interconnection among the factors involved in developing a cooperative security framework in the area of the Persian Gulf, Southwest Asia, and the Indian Ocean in response to the challenges to stability and independence there.

In the face of this challenge, our response must be many-sided. It will include our own military preparedness, greater contributions and cooperation by concerned nations in the region and by our allies, and continuing active military supply relationships with the nations of the area. Well beyond the military, our responses must make use of our diplomatic, political, and economic influence to assist the region's governments both in developing their countries economically and in helping them preserve political stability and the area's security against indirect threats abetted or encouraged by those with an interest in generating instability.

In addition, we have to manage our own economy, strengthen our own alliances, and pursue our own economic interests in the region in ways permitting us to meet the challenges to our broader interests in the area.

The principal elements of this Administration's response to the Soviet challenge in the region are in place or in the process of being put in place. But developing and maintaining that position will require sustained effort in cooperation with the governments of the region and with other world governments which have a strong interest in the security of the region.

Mr. HAMILTON. Thank you very much, Mr. Saunders.

Mr. Twinam, do you have a statement?

Mr. TWINAM. No; I have nothing to add.

DEFINING THE PERSIAN GULF REGION

Mr. HAMILTON. Let's begin by focusing on the President's words which you quote on page 5 of your statement, which he used in the state of the Union address. What does the phrase "the Persian Gulf region" refer to?

Mr. SAUNDERS. We have not drawn a line around a particular region. What we think of normally is that area, of course, involving the gulf itself and the nations adjacent to it. That also includes, of course, the Strait of Hormuz and the approaches to it. The security of the gulf, of course, depends on the security of Saudi Arabia, and that really relates to events throughout the Arabian Peninsula, including the two Yemens.

Mr. HAMILTON. Does that mean that a Soviet intrusion into Iraq or Iran, which are countries that are in the gulf, would be included in the President's doctrine here?

Mr. SAUNDERS. I think that it is important for us not to try to draw a line too precisely here. But it seems to me that Soviet intrusion into either Iran or Iraq, which are both adjacent to this region, and are both important in the supply of oil would be of concern to us.

Mr. HAMILTON. You would include them in the Carter doctrine. In other words, we would consider that an assault on our vital interests, and we would be prepared to repel it by military force.

Mr. SAUNDERS. I think we would want to be clear as to what the purpose of such an intrusion were, and we would want to define the situation at that time. But I think in answer to your basic question, when we talk about the region, we cannot exclude either Iran or Iraq.

Mr. HAMILTON. What about Pakistan?

Mr. SAUNDERS. That technically, of course, is not a part of the Persian Gulf region. We have also, as you know, though, talked about the Southwestern Asia area. I think that while we are talking in one sense about an area around the Persian Gulf, there is a wider context which includes what you might call the Arab-Israeli area on the one side, and Pakistan-Afghanistan on the other, which while not technically parts of this region, are I think closely related to the question of stability in this region.

NATIONS INVOLVED IN THE COOPERATIVE SECURITY FRAMEWORK

Mr. HAMILTON. You yourself mentioned the importance of the cooperative security framework. You mention that on page 5 of your statement. Who are we cooperating with in this Persian Gulf doctrine?

Are we talking about Oman? Are we talking about the European allies? Are we talking about Israel, Egypt? What is the cooperative effort? What nations are involved in this effort?

Mr. SAUNDERS. I would make the list broader rather than narrower because it is my thesis in this presentation that stability throughout this region will depend on our relationships with all of the nations in the area that we have just been discussing, and the allies who have as great an interest in the stability of this area as we do.

But, I think it is important that we move our minds from the thoughts of the 1950's or early 1960's into the 1980's in the following way: There was a time when we thought about the Baghdad Pact, the CENTO alliance, and organizations of that kind. I don't think that in the 1980's we are going to be talking about that kind of cooperation. I think that is why the President used the word "framework," and I think that this is why he used the word "cooperative."

What we are really talking about here is a framework of relationships which tend to buttress the independence of each ot the nations of the area, and that is different from a formal institutionalized treaty organization, or anyting of that kind.

Mr. **Hamilton.** What does it involve? Is it a series of bilateral actions by the United States with a variety of nations in and around the region?

Mr. **Saunders.** I think it starts with a series of bilateral relationships, but it goes well beyond that.

A second component, and a very important component, will be the relationships among the nations of the region themselves. For instance, we have long seen a pattern of relationships between Pakistan, for instance, and some of the nations in the gulf and the peninsula. We are aware of cooperative arrangements among the nations of the gulf themselves. We and the Saudis are cooperating with the Government of Yemen Arab Republic in its own defense.

It is a variety of relationships, bilateral and intraregional cooperation which includes outsiders like ourselves, or perhaps help from the Western Europeans.

EUROPEAN INVOLVEMENT

Mr. **Hamilton.** To what extent are the European nations going to be involved in that cooperative security framework?

Mr. **Saunders.** I don't think we know precisely at this stage. However, there are a variety already of important relationships which exist, to start, of course, with the British whose position in this area was the primary guarantee of stability and security until the early 1970's. Many of the not formal but informal relationships built up in those years continue.

There are other nations of Europe which provide assistance of one sort or another to the nations in this region. There are European governments who have military forces and naval forces in the Indian Ocean from time to time.

U.S. ABILITY TO REPEL AN ATTACK IN THE AREA

Mr. **Hamilton.** The statement in the state of the Union address that we will repel an attack by use of any means necessary, including military force. Do we now have sufficient military force to repel any power that would seek to gain control of that area?

Mr. **Saunders.** You, of course, will have an opportunity with Under Secretary Bob Komer later, on Wednesday I think, to get into that in detail.

We have, of course, already taken a number of steps to build our military forces in this area. The two carrier task groups which have been in the Indian Ocean since November are part of that. We have long had a small naval force in the gulf, as you know.

Mr. HAMILTON. Is it your judgment that we have the military power to repel any force that would seek to gain control in that area?

Mr. SAUNDERS. Maybe, in terms of being precise, I ought to leave that answer to the Pentagon.

Mr. HAMILTON. Surely the policymakers at the State Department have a judgment on that question, do they not?

Mr. SAUNDERS. It depends on the extent of the threat, the nature of the threat, just exactly what the situation is. The answer is, I think today we have the forces necessary to deal with certain situations, and we are building the forces, and particularly the mobility that we believe is necessary to handle the situations more quickly that we might not be able to respond to today as quickly as we would like.

Mr. HAMILTON. It is your general impression that we have the military force in the region which is sufficient to back up the President's doctrine.

Mr. SAUNDERS. I don't think in the region, Mr. Chairman, so much as we are developing the forces which we could move to the region in the event of emergency. We don't have forces based in the area, as you well know, and the concept is to improve the rapid deployment, of course, in a way that we could get forces to the area quickly.

Mr. HAMILTON. How long will it take us to develop those kinds of forces?

Mr. SAUNDERS. That is really a technical question that I would prefer to leave to the Pentagon because I just don't know the answer in the kind of detail that you should have.

WHAT IS NEW ABOUT THE CARTER DOCTRINE

Mr. HAMILTON. Is the Carter doctrine new? Is it a new definition of our interests? Is this an expansion of our vital interests?

Mr. SAUNDERS. It is not based on a new definition of American interests. The list of American interests, as I have said in the subcommittee on a number of occasions, I think, has been consistent throughout the years. What is new at this moment is the intensified Soviet threat to the region as a result of the move to Afghanistan.

I would say, first of all, that it is not a new definition of American interest, but there is a new recognition of steps that the United States has to take, given Soviet ventures into the area. What is also new, I think, is the emphasis on our military presence in the area.

Mr. HAMILTON. Isn't it new to say that the United States is going to be prepared to intervene directly with its military forces to protect the Persian Gulf region?

Mr. SAUNDERS. It may be new to say it in those words, but I think that it has been implicit in American policy for a long time that should it become necessary we would take some military action to protect our interests in this area. For instance, it has long been implicit, if not explicit, that if the security of Israel were threatened, the United States would be prepared to do what is necessary to protect the independence and survival of that state.

DIFFERENCES BETWEEN CARTER DOCTRINE AND THE NIXON DOCTRINE

Mr. **Hamilton.** Does it differ in any way from the Nixon doctrine?

Mr. **Saunders.** I think it does, Mr. Chairman. Having lived through that period of the early 1970's when the Nixon doctrine was articulated, particularly in this area, I feel that the emphasis there was an emphasis that led, for instance, to relying heavily on Iran and Saudi Arabia to cooperate in providing the stability in this area. Because Iran was the predominant military power at that time, the reliance tended to rest more heavily on Iran.

Now, I think, with the revolution in Iran, we no longer have that kind of cooperation. Iran does not play the role that it once did. As a matter of fact, there is the potential for a very different kind of role. So instead of relying entirely on forces within the region, we are now saying that we are going to have to rely more heavily on our own military capability.

That is not to say that we will not make the maximum effort to help nations in the area through military supply programs and other devices to defend themselves. That is obviously the first line of defense in a situation like this. But I think the fact that we are now talking about facilities in the area, a fleet present in the area of one magnitude or another, and the capacity to move forces into the area is different from the Nixon doctrine.

Mr. **Hamilton.** Mrs. Fenwick.

ROLE OF WESTERN ALLIANCE

Mrs. **Fenwick.** Thank you, Mr. Chairman.

Mr. Saunders, looking at page 6 of your statement, you mention the solid strategic foundation depending on a strong U.S. economy, less dependent on foreign oil; a vital Western alliance, capable of effective cooperation with the states of the gulf in pursuit of common goals; an increased U.S. military capability to project our strength into the region in a manner designed to promote security and stability; and a national will to press on to resolve one of the basic causes of instability in the area, the conflict between Israel and the Arabs.

There are others that we also need to consider, and I wonder how that can be resolved. We might commit resources to the people in the region who work constructively with us. There are two things that I would hope I could hear from you.

First of all, what evidence have we of a vital Western alliance that is prepared to move beyond the geographical limits of NATO, to move into this area in the pursuit of common goals? Have we any assurances that such a Western alliance exists, or is about to exist?

Mr. **Saunders.** I am referring here to the North Atlantic alliance, and the relationship with Japan. I did not mean to imply a NATO commitment to move forces beyond the area. The point simply goes back to Mr. Hamilton's question about the willingness of the nations of the Western alliance to make their own contribution to the independence of the nations in the area. This is a varied contribution, and not one which is fully defined at this point.

I did not mean to imply a NATO commitment to this area per se.

Mrs. **Fenwick.** I don't know about nations outside the Western alliance, or NATO. They must be nations in NATO, and I wondered what evidence we have that they are willing to cooperate in this area.

Mr. **Saunders.** Of course, we have just faced this problem in its newest form since the Soviet invasion of Afghanistan, but all of the efforts which have been made to deal with the Soviet invasion of Afghanistan are part of the kind of response that one could include on this list.

Beyond that, I think, the role that some Western Europeans might play in countries of the peninsula and the gulf is simply in bilateral ways to help them with their own independence.

Mrs. **Fenwick.** Are you saying that we are hopeful of developing that vital Western alliance? Do we have evidence that we are going to be able to develop that vital Western alliance?

Mr. **Saunders.** My words of "vital Western alliance" simply refer to the assurance that the Western alliance already in existence is vital and is alert to and cooperating in dealing with this problem in addition to the problems of Western Europe.

Mrs. **Fenwick.** That is what I am talking about. I am asking, do we have any evidence that they are?

Mr. **Saunders.** I think that we have evidence of their concern. I think we have evidence of their willingness to respond to the Soviet threat in the Western European context. We have evidence that some of the Western Europeans are already interested and active in their bilateral relationships with the nations of this area.

I think that this is something that we are going to have to work on, and it is something that we are going to have to build over time. Frankly, we have, I guess, greater capability than many of them do, but as I mentioned a few moments ago the British have relationships that, although you do not put a dollar tag on them are extremely valuable simply because of their long past relationships.

RELATIONSHIP BETWEEN ISRAEL AND ARAB NATIONS

Mrs. **Fenwick.** I guess that that is about all we can do with that issue, but I am concerned, and I think all of us are.

The second thing I wanted to ask you about is the alarming matter of the basic stability of the nations in the area—far more pressing and dangerous, perhaps, than the one you cited—the relationship between Israel and the Arab nations.

It seems to me that this is something that we can do very little about. I don't know how you would suggest increasing the stability of those nations.

Mr. **Saunders.** This is one of the most difficult problems to deal with. As I have said on other occasions, we have to expect a period of rapid change and possible instability in these areas. The only way we can deal with this, I think, is to work as closely as we can with the governments in the area to help them to channel change into constructive directions, rather than going the route of Iran, for instance.

I think that just as there are potential elements of instability in these countries, there are many potential elements for substantial orderly change. Stability is a hard word to use in some cases when nations are going through transitional periods, but I think we have a lot to work with. It is going to depend on the ability of the governments in the area to manage change for themselves. But I think that we should not play down the criticality of the problem that you are raising.

One of the problems, of course, that has been dramatized for any who did not already realize it, in Iran and in Lebanon, is when a nation starts to come apart in some way from the inside, there is not a great deal that outsiders can do to influence the course of events. The problem is to get ahead of that process, if that is possible.

CHANGES IN THE ISLAMIC WORLD

Mrs. Fenwick. It had occurred to me, and I wondered if it was part of our thinking, that maybe what we are seeing in the Islamic world is a counterrevolution. Maybe what they least want is change, and maybe what they have is too much change, too much industrialization, too much education of women, too much talk about getting into a "one man, one vote situation," which may not be compatible with their very cherished traditions in the least.

I wonder sometimes, when we are thinking of using any influence or persuasion that we might have, if we are wise in always pushing in our direction, so to speak, along the lines of industrialization, education, planning, and so on.

Mr. Saunders. That is a very perceptive remark. If you reflect for a moment on the cogency of that remark with regard to the Iranian revolution, for instance, which is something that we have now experienced, so we don't have to speculate about the future.

I think what went on in Iran, perhaps, was not necessarily that the changes were taking place, but that the changes got out of balance. Economic and social changes were forced at a pace that left the traditionalists in Iran with the feeling that the Government was insensitive to the traditional values. They were also left with the sense that they were being left out. They were not participating in them, and it was all going by them, and their lives and their traditional ways were being affected.

So maybe it is keeping things in balance that is the trick here, because you cannot really say, I don't think, that the people of these nations do not want the kind of changes that are taking place. There is a lot of money there. People do want education for their children, including their daughters, I think.

They do want the things that modern technology and a modern way of life bring. They just want to have those things happen in a way that they can absorb into their traditional way of looking at things, and that is not easy to do. So there is a conflict.

Mrs. Fenwick. But I don't think that they ought to be pushed to do it. Do you see what I mean? If they feel that way, certainly we would not put any barriers in their path, but allow them to do it at their pace without pushing in directions that are not compatible with their religious beliefs.

Mr. Saunders. I think at this point the policy of our Government is not to push. What you are dealing with in this area is the fact that economic development is in the hands of governments with, for the most part, the money to fund that development, the pace is theirs.

When the money is there, the role that the United States plays is not so much one of governmental policy as the natural relationship between the private sector, whose presence in the Middle East we welcome, responding to a demand from the people at the other end.

SUPPORT OF GOVERNMENTS IN THE AREA

Mrs. **Fenwick**. I know I do not have much remaining time, but I would like to ask you one final question on the final paragraph on page 6: "A willingness to commit resources to promote the survival and independence of governments and peoples in the region who seek to work constructively with us toward the goals of peace and human dignity." I do so heartily approve of that in this qualified phrase, because I have noted the tendency to reward almost equally and sometimes even in greater measure those who are not interested in working with us constructively at all, who in fact have taken a stand directly opposite to us.

If this is the policy of this administration, I am very happy to hear it because we don't always see it in some of the proposals that come before us.

Mr. **Saunders**. I think that one of the things you have in mind is cases where there may be a disagreement between us over strategy in the near future, and here I am thinking particularly about Camp David process, and those governments which have rejected them.

I will add one qualification to your point, and to the statement in my own paper. I do think that there are some places where we have to keep the door open for the future. The Government of Jordan comes to mind in this case. They happen to disagree honestly with our course under Camp David, but I think they also very much agree with us and with Israel, Egypt and others, in setting a high priority for a negotiated settlement of the Palestinian problems that lie geographically between them and Israel.

So they share the same objective, and they disagree with us for the moment on how to get there. I think at some point we can hope that we can get together on the strategy again. There is no other subject that divides us and that government. I think we need, for that reason, to keep our lines open, for instance, with Jordan.

I think there is another very good reason, which you pointed out in a hearing some months ago, and that is the fact that in that case Jordan controls Israel's longest border and there is a security interest in the stability of Jordan.

So I would just want to take account of those particular circumstances, not only in Jordan, but in other places as well.

Mrs. **Fenwick**. I don't expect absolute devotion from every other country. But I think it is significant that sometimes we are urged to give aid to those who have opposed us on everything.

Thank you, Mr. Chairman.

Mr. **Hamilton**. Mr. Rosenthal.

REACTION TO THE SHAH'S MOVE TO EGYPT

Mr. **Rosenthal**. Thank you, Mr. Chairman.

Mr. Saunders, do you think the Shah's taking up residence in Egypt can be, will be, or may be a disruptive force in this area of the world?

Mr. **Saunders.** I don't think that it has to be a disruptive force in the Middle Eastern context. I assume that that is your question, rather than the effect in Tehran. Unhappily, in the present state of the peace process Egypt has already been to some degree isolated from other parts of the Arab world, and there will be, perhaps, a negative reaction to this. But I don't think it need disrupt the more important ventures that we are engaged in, particularly the negotiations that are ongoing.

Mr. **Rosenthal.** I meant more so in the area of the Persian Gulf, the countries that are now enveloped by the Carter doctrine.

Mr. **Saunders.** I don't think that that should be. Really, in reality, if we can just persuade people that this is a case of human emergency for a very sick man, which really is the case, it should stand aside.

Mr. **Rosenthal.** Do you think that that can be done?

Mr. **Saunders.** I think it can in the gulf and the peninsula. In Iran it is a different story, but in the gulf and in the peninsula nobody agrees with the present strategy or tactics of the Government of Iran in holding hostages.

EVOLUTION OF STRATEGY IN AREA

Mr. **Rosenthal.** This new Carter doctrine that was announced in the state of the Union message, is that the only post-Afghanistan development in American foreign policy?

Mr. **Saunders.** I think that we have been building up to this for some little time. Obviously, the invasion of Afghanistan was one of those events that crystalized our reactions. For instance, the two carrier groups had been in the Indian Ocean since November with nothing to do, particularly, with Afghanistan.

Mr. **Rosenthal.** But that doctrine was never enunciated, to my knowledge, prior to Afghanistan.

Mr. **Saunders.** I think I have a little trouble with the notion of a doctrine. I think there is a shift in strategy which has now been articulated in the state of the Union address.

Mr. **Rosenthal.** It is a good deal more than a shift in strategy. It is a significant difference rather than a shift in strategy. The President said:

> Let our position be absolutely clear: An attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America.

That is a pretty big strategy.

Mr. **Saunders.** My feeling is, as I said a while ago in response to another question, this has not been said in that way before, but I think it has been implicit in our thinking for several years now.

Mr. **Rosenthal.** That is what I am trying to find out. Whose mind, in the Department's, in the executive branch's?

Mr. **Saunders.** I think the Congress. I have questions from Members of Congress on a number of occasions: "Isn't the oil of the Persian Gulf vital to the United States?" "What are your plans if this source is threatened?" and so on. It is a worry that all of us have had for several years now. Now the President has put this in words. He has put in words what a lot of us have been saying among ourselves in hearings of this kind.

REACTIONS TO THE CARTER DOCTRINE IN THE AREA

Mr. **Rosenthal.** What kind of reaction have we received from countries in that area? Have they been pleased with this doctrine? Are they desirous of cooperating? Are they offering participation? Specifically, can you tell us country by country?

Mr. **Saunders.** I think that they have generally welcomed this.

Mr. **Rosenthal.** Has any country welcomed it?

Mr. **Saunders.** Privately, yes, there is no question about it. What I was turning to was public statements, where anybody had responded openly.

Mr. **Twinam.** I don't believe in the gulf itself, Mr. Rosenthal, there have been public statements specifically supporting this.

Mr. **Rosenthal.** Has there been any country anywhere that has supported this new Carter doctrine?

Mr. **Saunders.** I cannot cite you chapter and verse, but I think a number of countries outside of the immediate area have welcomed a stronger stand by the United States.

Mr. **Rosenthal.** Is there any country anywhere that you could name?

Mr. **Saunders.** I cannot cite a quote, but I am sure Israel has, for instance.

Mr. **Rosenthal.** Fiji? [Laughter.]

Mr. **Saunders.** Israel, Egypt, I would imagine, the Europeans, and so on.

Mr. **Rosenthal.** I have read that some of the gulf countries were very unhappy with this new doctrine. They felt threatened by it and insecure.

Mr. **Saunders.** I think that there is an ambivalence of feeling here which you have to take account of. There you have to go to the private reactions, which you can be much more precise about, but not in open hearings. In general terms, for the purpose of an open hearing, you can say that those nations have long wanted to know that the United States is there, at least figuratively, over the horizon and available if their security is threatened. They have said that.

Mr. **Rosenthal.** They are not prepared to say that publicly.

Mr. **Saunders.** They have a problem with welcoming outside powers into the region, but in practical terms we are of course, discussing with three nations of the area the access to facilities on their soil. That is a very specific positive response to our new policy.

Mr. **Rosenthal.** Not all three of those nations are lateral to the gulf.

Mr. **Saunders.** No.

Mr. **Rosenthal.** Ethiopia is not.

Mr. **Saunders.** We certainly are not doing anything in Ethiopia.

Mr. **Rosenthal.** Somalia is not.

Mr. **Saunders.** No; but they are all part of this larger region that we are talking about.

Mr. **Rosenthal.** The only conclusion I can draw is that no gulf state, or any of the states involved in this area have indicated gratefulness, appreciation, thankfulness, or even lukewarm support for this doctrine.

Mr. **Saunders.** Everybody finds it very difficult to welcome foreign military forces onto their soil, or into their area. At the same time, they rely on us very heavily to provide the umbrella for their independence, and that is something that is the heart and soul of the policy.

Mr. Rosenthal. Is that true of that area particularly, or is that true anywhere in the world?

Mr. Saunders. I think that it is particularly true in this area.

Mr. Rosenthal. Why is that?

Mr. Saunders. One thing, history—we have had a longstanding relationship with Saudi Arabia in this area. Also, those governments in the gulf have depended for most of their modern existence on the British for security down to the 1970's. There had been an outside role, and when the British phased out of the gulf that outside role was not replaced.

Mr. Rosenthal. It is your view that they really want this protection, but they don't want to acknowledge it.

Mr. Saunders. I think that that is right.

EUROPEAN SUPPORT OF CARTER DOCTRINE

Mr. Rosenthal. Now, what about European countries. Have any European countries endorsed this new doctrine?

Mr. Saunders. Again, I cannot cite public statements, but my impression is that the strength apparent in this speech has been welcomed by the key European governments. Why don't we give you for the record a list of public reactions?

[The information referred to follows:]

REACTIONS TO PLANNING FOR INCREASED U.S. MILITARY PRESENCE IN THE PERSIAN GULF/INDIAN OCEAN

PERSIAN GULF

Saudi Arabia and other Gulf officials have privately welcomed the demonstration of American determination to resist Soviet aggression in the region, including the development of a U.S. rapid deployment force and an over-the-horizon presence. High officials of several of these countries have privately expressed great concern about possible Soviet threats to the region. There is general fear that the unstable situation in Iran would tempt Moscow to move into Iran, and that without some sort of American capability there would be nothing to prevent the Soviets from moving down to the gulf.

Nonetheless, all states of the gulf area have taken the position that foreign bases would not be welcome in the region. Even Oman, which has agreed to the provision of certain facilities to the U.S. for military purposes, has stated publicly that it categorically refuses to permit any foreign state to establish military bases on its territory.

There is a consistent view among these states that the lack of movement on the Palestinian issue would make it dangerous for moderate Arab countries to associate with the U.S. in concrete anti-Soviet steps. Hence, both publicly and privately, gulf officials show sympathy with the concept of making the gulf a zone free of the superpowers. This attitude had not led these states to unqualified endorsement, however, of the Iraqi "Charter" along these lines (see below).

IRAQ

The Pan-Arab Charter proposed by President Saddam Hussein in February is designed to commit the Arab states to reject any superpower request for military facilities and bases. Hussein has accused the U.S. of trying to exploit the Iranian and Afghan situations to "move its fleet and exert pressure on some regimes * * * to blatantly restore its influence and prepare for its occupation of the rich oil fields in the strategic region." Privately, the Iraqis have presented virtually the same viewpoint.

SYRIA, JORDAN, LEBANON

Syria's public position has been extremely critical. It has condemned as "comical" U.S. efforts to rally the Muslim world to oppose the Soviets while doing nothing to force the Israelis out of the Arab territory they occupy. Privately, Syrian officials have betrayed anxiety about Soviet intentions but they have also shown serious distrust of U.S. intentions on the Arab-Israeli front.

Jordan has been considerably more subtle in addressing U.S. plans for the Persian Gulf/Indian Ocean area. Officials and the press have expressed a sense of anxiety over regional insecurity in general and the threat posed by the Soviet invasion of Afghanistan in particular. Privately, Jordanian officials have displayed similar ambivalence to that found in the Gulf wherein U.S. determination to resist the Soviets is welcomed, but the perceived lack of U.S. willingness to work through to a resolution of the Palestinian question undermines support for the U.S.

Lebanon's preoccupation with its own domestic problems has not enabled it to focus publicly or privately on the Persian Gulf/Indian Ocean security problems.

EGYPT

Both publicly and privately, Egypt has welcomed an increased U.S. military presence in the Persian Gulf/Indian Ocean area. Sadat has not favored granting U.S. bases or base rights in Egypt.

SOUTH ASIA

The major South Asian powers have displayed mixed reaction to the establishment of U.S. military facilities in the Persian Gulf/Indian Ocean. India and Iran are strongly opposed. Pakistan's position is somewhat ambiguous.

The Indians maintain that such facilities enhance potential for superpower rivalry and conflict in an already volatile region (and privately worry that such facilities would threaten India's long term goal of becoming the preeminent naval power in the Indian Ocean).

The Iranians believe that the U.S. has no legitimate military interest in the area and that such facilities would be potential staging areas for U.S. attempts to undermine the Iranian revolution.

The Pakistanis have remained publicly silent, but they have been vocal about the Soviet threat from Afghanistan.

JAPAN

While Japan has not responded directly to the idea of an increased U.S. presence in the Persian Gulf, the government has given considerable attention to the implications of moving U.S. forces from the Far East. Specifically, the Japanese have been concerned about the U.S. ability to defend Japan if forces are moved to the Indian Ocean area. The Japan Defense Agency has used the possibility of a redeployment of U.S. naval forces to argue for special emphasis being given to building up the Japanese navy.

Generally, Tokyo, feels the U.S. response in the Middle East has been appropriate. They do not want the U.S. to take any actions that would further raise tensions.

AFRICA

The sub-Saharan States that are members of the Arab League—Sudan, Somalia, Djibouti, and Mauritania—have been under pressure by Baghdad to endorse the Iraqi-proposed Arab Charter, one clause of which apparently opposes the granting by Arab States of military bases or access to military facilities to non-Arab States. Support for the "Arab Charter" thus implies criticism of any U.S. access to facilities in Egypt, Oman, Somalia, and Djibouti; French access to Djibouti; and Soviet access to South Yemen.

During his recent visit to the Arabian Peninsula, President Nimeiri of Sudan stated publicly his endorsement of the Arab Charter and somewhat ambiguously criticized Egypt, Oman, Somalia, and South Yemen (but not Djibouti) for granting military access to non-Arabs. Similarly, President Siad of Somalia publicly but unenthusiastically supported the Arab Charter during his recent visit to Iraq and the Arabian Peninsula. There have been no public statements to date by either Djibouti or Mauritania either on the Iraqi proposal or on U.S. moves in the region.

Ethiopia has reacted against recent U.S. moves in the northwestern Indian Ocean area, particularly in Somalia, by strong public statements. Addis Ababa perceives these moves primarily in terms of an alleged military encirclement of Ethiopia and its only close friend in the region, South Yemen.

So far as we are aware, there have been no official reactions from other African States to U.S. moves in the Persian Gulf or to related U.S. moves in the Horn of Africa, including Kenya.

WESTERN EUROPE

The principal European governments (London, Paris, Bonn and Rome) have generally been supportive of President Carter's statement defining U.S. national interests in the Persian Gulf and the announced U.S. readiness to resort, if need be, to military means to defend those interests. The United Kingdom, with military capabilities in the region, has been the strongest source of support in public, although French forces also constitute a standing Western military presence in the area. The FRG Government, while favoring the imposition of deterrent capabilities in the Gulf, has made it clear that a German troop commitment in the region is out of the question—based largely on the continued priority on German territorial defense of Central Europe. Defense Minister Apel, in announcing Bonn's policy, on several occasions pointedly rejected either a Bundeswehr or NATO presence in the Gulf, saying: "This is a task for the Americans." Criticism among European political observers in and outside of governments has centered on the claimed emptiness of the President's threatened resort to military means, citing the woeful lack of adequate U.S. military means to effect such a policy should a contingency in the near future require it. The French President appears to have been careful not to make any statements critical of U.S. firmness in the aftermath of the Soviet invasion.

PEOPLE'S REPUBLIC OF CHINA

Chinese media have reported extensively on U.S. condemnation of the Soviet invasion of Afghanistan and responded favorably to U.S. boycott measures and statements of commitment to Pakistan. *People's Daily* pointed out in late January that President Carter's state of the Union address had not once mentioned détente. Elsewhere, China has described the Soviet invasion as an eye-opening experience for the U.S. and portrayed subsequent moves toward closer U.S. cooperation with the second and third worlds as positive "new developments." Xinhua, the official Chinese news agency, has favorably reported on U.S. arms sales to the Arab States and described U.S. military display in the Gulf and Mediterranean as appropriate response to the Soviet threat. Xinhua has also, however, expressed concern over long range U.S. resolve and, most recently, displeasure over discussion of plans for Afghan "neutralization". Beijing makes clear it believes any position short of demand for complete and immediate Soviet withdrawal is compromise and will only play into the hands of Moscow.

SOVIET UNION

The Soviet reaction to increased U.S. military activity in the Indian Ocean and Persian Gulf regions has been predictably negative. Media commentary reflects a genuine concern that such activity threatens Soviet strategic interests. At the same time, Moscow has attempted to exploit the issue in its propaganda to divert attention from Afghanistan and to convince the Nations of the region that the U.S. remains the primary foe.

In general, the Soviets have claimed that the increase in U.S. naval forces, the search for bases, and the creation of rapid reaction forces are but the latest examples of U.S. "imperialist" designs on the Mideast and Persian Gulf. An authoritative *Pravda* commentary on March 25, once again accused the U.S. of fabricating a "Soviet military threat" to the Gulf as a cover for its own military ambitions and warned that the U.S. was prepared to use "any means" to insure its influence in the region. On March 26, TASS claimed that U.S. activity in the region is part of a policy "to press for military and political domination of U.S. imperialism in the Near and Middle East."

Mr. Rosenthal. I read the papers, and I have not noticed any, or I have not come across any.

I would think that nations in that area, or in any area, that are interested in maintaining their own integrity and independence would find it useful domestically for people to know that they have a strong ally.

Mr. **Saunders.** Here is a problem that these governments have. Now we are getting into a slightly different area. The governments of this area particularly are sensitive to progress toward an Arab-Israeli settlement. They regard the instability in the Arab-Israeli area as a potential source of instability in their own area. They, in identifying with us on security matters, like to think that we are identifying with them in security matters by making a major effort to resolve a major source of instability in the area. Therefore, the two subjects are linked in their mind.

It is politically difficult for them to identify openly with the United States vis-a-vis their own constituencies when they don't believe that the United States is making a major effort to resolve a major source of instability in the area.

Mr. **Rosenthal.** The Government in Oman believes that?

Mr. **Saunders.** I think all the governments of this area to one degree or another believe that that is a problem. It is just a fact.

Mr. **Rosenthal.** I am not convinced of that, but apparently you are.

Mr. **Saunders.** I am convinced that it is a fact in the area.

Mr. **Rosenthal.** So if this Palestinian issue were resolved, everything would come up roses. They would all announce their allegiance and fidelity to the United States.

Mr. **Saunders.** That is an extreme statement, and I am stating what they feel, not my analysis of the situation. The fact of the matter is that they tell us that it is difficult for them to identify with us without qualification when we are regarded as the nation that has supported a major injustice in the area. These are the words of the people in the area, and not my words. I am reporting the way they talk to us.

Mr. **Rosenthal.** That is your perception of what they are saying.

Mr. **Saunders.** No; that is what we hear them saying, and not our perception, not our belief, or anything like that.

Mr. **Rosenthal.** If we were to go to war in this area, whose interests would we be protecting?

Mr. **Saunders.** Certainly the interests of the United States, and the interests of the nations of the area, and the nations of Western Europe.

Mr. **Rosenthal.** That is what I cannot figure out, why Western Europe has not said anything about this. They rely on that oil much more than we do.

Mr. **Saunders.** I don't think that that is the point. I don't think that you will find them opposed to the policy, however, just that many of them do not have the capability to do what we have the capability of doing and, therefore, they are not doing the same thing we are.

Mr. **Rosenthal.** But they could endorse our action without providing the necessary capability. We can work that out bilaterally. You handle the Western front, and we will handle the Persian Gulf.

Mr. **Hamilton.** Would the gentleman yield?

Mr. **Rosenthal.** Yes.

DIVISION OF LABOR

Mr. **Hamilton.** What about this division of labor idea? If the Europeans were really strongly supportive of the Carter doctrine in the

Persian Gulf, wouldn't they be willing to take on extra defense burdens in Western Europe, so that it would free some of our resources to implement activities in the Persian Gulf?

Mr. SAUNDERS. That gets you into the intricacies of the whole NATO relationship, and what is required for the defense of Western Europe, and I just don't know how easy that would be to work out. It is such a complicated subject that I am not competent to deal with that.

Mr. ROSENTHAL. The French have a larger naval force in the Indian Ocean than we do, yet they have never said a word.

Mr. SAUNDERS. I doubt that, certainly not today.

Mr. ROSENTHAL. Their permanent force is larger than ours.

Mr. SAUNDERS. The question is what our permanent force is going to be.

Mr. ROSENTHAL. The point I am trying to make is that I think that this was an enormous expansion of American responsibility. I really want to make sure that the American public understands it, and we understand it, that the need was there and the ability to fulfill it is there. I think that that is a reasonable inquiry.

Mr. SAUNDERS. I think it is a fair point, and I don't disagree with it.

Mr. ROSENTHAL. I cannot figure out where these countries are. Are they with us or against us? Do they want us, or they don't want us? Are they friendly, or are they unfriendly?

Mr. SAUNDERS. I think that that is a fair statement. [Laughter.]

Mr. ROSENTHAL. The administration is asking young people to register based on this whole very shifty, sandy doctrine.

Mr. SAUNDERS. I think that there is one hard fact in here, whatever the others may be. The hard fact is that the United States has extremely important interests in this area. Therefore, we have certain obligations.

U.S. INTERESTS IN THE PERSIAN GULF

Mr. ROSENTHAL. I just want to understand what they are. Are they oil interests?

Mr. SAUNDERS. They are oil, not just for us but for the Western alliance. They are our interests in preserving the independence of nations outside the Soviet Union. What the Soviets did in Afghanistan, I think we all agree, is a threat to a principle which threatens the order of the world. That is interest No. 1.

Mr. ROSENTHAL. And we only anticipated that, recognized it, and understood it after Afghanistan?

Mr. SAUNDERS. No; not at all.

Mr. ROSENTHAL. This country never made such a statement prior to Afghanistan.

Mr. SAUNDERS. But we have been stating our interest in the two points that I have just mentioned, and that is the oil and the Soviet confrontation. I have been putting those on the list of American interests since the early 1960's, and I am sure that the people who preceded me have done that as well. These have been interests for a long time.

The point is not that the interests have changed, but that the threat to the interest has been redoubled. There was a long period of time when, in effect, the Soviet Union stayed behind certain lines, and we performed in certain ways in the area.

In a few instances, like in 1967, 1968, and 1973, those lines were threatened momentarily, but for the most part we both stood clear and left the nations of the area free to do their own thing. We had military alliances in the area to help the nations bolster their own defenses, but otherwise we had a kind of standoff.

Now the Soviets have violated that arrangement, informal and unwritten though it was. That creates a new situation. Therefore, we have to deal with this in new ways.

SOVIET REACTION TO U.S. POLICY IN AREA

Mr. ROSENTHAL. Have we spoken to the Soviets about these changes in posture?

Mr. SAUNDERS. Certainly.

Mr. ROSENTHAL. How do they respond?

Mr. SAUNDERS. In a very limited way about the causes of their intervention in Afghanistan, which are specious.

Mr. ROSENTHAL. Have they indicated any response to this new Carter doctrine?

Mr. SAUNDERS. They regard this, I think, as an act of American aggression. Their press commentators have taken cracks at it in their various editorials.

Mr. ROSENTHAL. Thank you.

Mr. HAMILTON. Mr. Fountain.

Mr. FOUNTAIN. Thank you, Mr. Chairman.

I apologize for arriving late, and it may be that some of the things I have in mind have already been covered.

In the President's statement of policy, Mr. Saunders, I note that he says "to gain control of the Persian Gulf region." I imagine that that would include Iran.

Mr. SAUNDERS. Yes.

Mr. FOUNTAIN. The President meant by that that any attempt to control Iran would be an assault upon the vital interests of the United States.

Mr. SAUNDERS. Yes.

U.S. RESPONSIBILITY IN THE PERSIAN GULF

Mr. FOUNTAIN. Unlike Mr. Rosenthal, I am rather inclined to support the President's position but for a variety of other reasons.

I had the privilege of visiting the Shah along with a number of other members of the committee, maybe a year before the revolution which overthrew him. He made a rather unusual statement, and that was:

> Whether you like it or not, you are looked upon by the rest of the world as the last bastion of freedom left on earth. You are the leader of the free world, and even those who talk about you and criticize you, and are jealous of you for your wealth and your power, still expect you to maintain the role of leadership, militarily or otherwise, not to send men to fight, but to cooperate with us and sell us the wherewithal to remain a buffer here, and to maintain peace in the event of an attack by Russia.

He said:

> But if you don't, if you give up that leadership, if you say "we are going to let the rest of the world take care of itself," and become isolationists again, there is no

question but that Russia is already moving and wants to move more permanently into the Middle-East. They will either take us over, or subvert us from within and some will be forced to join because they have no other alternative, no other leader.

Is that one of the major reasons for that policy, the overall, basic reason, that we are in the position where regardless of what our allies say, or whether we get their support or not, it is important to us from the standpoint of oil, and it is important to us from the standpoint of our security in the event that Russia does move into the Middle East?

In that event, our Western allies, whether they like it or not, may well become involved, even though now they don't have the guts to say much because they get more oil from Iran than we do, and from the gulf region than we do.

Mr. SAUNDERS. That is the point that I had in mind when I said that the Soviet invasion of Afghanistan raises questions about peace and order in the world that are of vital importance to the United States. It is not the geography involved in that particular act as much as it is the principle involved, and that is why the President has chosen to react as firmly as he has on Afghanistan.

I think that principle is critically important to the United States, not just because we live in the world, but because, as you rightly pointed out a moment ago, we have a unique responsibility vis-a-vis the Soviet Union for maintaining peace in the world, and preserving freedom in the world.

PURSUIT OF SUPPORT FOR U.S. POLICIES

Mr. FOUNTAIN. I must confess that it is a pretty big responsibility. We still permit our allies to have their cake and eat it, too. We maintain the nuclear shield for Japan, for Europe. When it comes to a question of the Olympics, and others, we don't seem to get too much expression from that part of the world.

I am beginning to wonder if we may have overcommitted ourselves. Yet, I realize the truth of the assertion the Shah was making, whether people are for him or against him, that we are in a position where if we yield and let Russia take over the leadership, then we will be in a hell of a spot.

Mr. SAUNDERS. I think it is a critical point. It applies to Mr. Rosenthal's line of questioning as well. The question you are raising is, If the allies have not fully thought through their support of this policy, does that mean we should not pursue it? Or, does it mean that for our own purposes, which you have just outlined, we should pursue the policy and bring others along with us, to the extent that that is possible, pursuing it nevertheless for our own reasons? I think the latter is the conclusion that the President has come to.

COOPERATION OF SAUDI ARABIA

Mr. FOUNTAIN. In your opinion, can we rely on Saudi Arabia to cooperate in the broader policy on the Persian Gulf?

Mr. SAUNDERS. I think the Saudis have cooperated with us in a variety of ways for a long time. For instance, on the other side of the peninsula, which is important here, we have been working with them for the security of Yemen. They have been very supportive of Oman, for instance, in developing its security policy.

Mr. **Fountain**. Are they helping to foot the bill for equipment that is being supplied to the friendly states in the area?

Mr. **Saunders**. Yes.

POSSIBLE INCREASE IN U.S. FORCES IN THE PERSIAN GULF

Mr. **Fountain**. Do you foresee an increased U.S. presence in the gulf area?

Mr. **Saunders**. Not in large numbers at all.

Mr. **Fountain**. What do you foresee there?

Mr. **Saunders**. Give or take a little bit, and give or take the kind of temporary duty presence that one might have, for instance, in Oman as the facilities are developed there, I would say that I would not see much larger numbers of official Americans in the area.

IRAN

Mr. **Fountain**. If we would be cut off from oil in Iran, let us say, how much would we lose?

Mr. **Saunders**. Of course, we have cut ourselves off from oil in Iran.

Mr. **Fountain**. If we were completely cut off.

Mr. **Saunders**. If the Western World were to be cut off, at this point, we are not buying from Iran, so it would not affect us. Two million barrels a day from Iran are going into the global world economy. If that were shut down, we would be that much short in the free world.

Mr. **Fountain**. But other countries in the free world are getting oil from Iran much more than we are.

Mr. **Saunders**. We are getting nothing right now. The President said that we will not buy from Iran after the hostages were taken.

Mr. **Fountain**. I hope that we can continue to maintain that position and never buy from them—by development of our own resources, synthetic oil and things of that kind. As far as I am concerned, if we could just mark them off the map, I would be willing to do it. I know that we can't do that. They are there.

It is sort of like Communist China. I don't think that they ever complied with a single condition or requirement to enter the United Nations, but we looked upon it as a billion people, and you can't ignore it. They are there, it is a fact of life, so they were admitted. In other words, we just disregarded the rules and requirements of the United Nations, and I guess that this is what we have to do with some of those things.

Just one other question. I want to ask you about a statement that Mr. Brzezinski made back in 1978 at the height of the crisis in Iran, which led to the Shah's exile. He said, and I quote:

> The American interest in Iran is a vital one. Iran represents strategically, both in an economic and political sense, a vital cog in the collective Western economic and political system. Therefore, we have a considerable stake in the peaceful management of Iranian modernization.

Of course, a lot of things have happened since then, but does this statement still approximate our interest in Iran?

Mr. Saunders. Yes; I think so, in several senses. One is, of course, the Soviet occupation of a portion of Iran would violate the same principles that the Soviet invasion of Afghanistan violated. Second, the Soviet invasion of Afghanistan to the point of taking over the oilfields on the Persian Gulf would remove from the free world supply a certain amount of oil. Third, their presence there would then threaten sources of oil supply which are much greater on the other side of the gulf.

Therefore, I think the general thrust of that statement—namely, that Iran is an area of vital interest to the United States—is true.

The point is that it is the independence of Iran that is important to us. As I said before, the revolution in Iran is a fact, and the United States can live with diversity in the world. But the important point is that the Government maintain its own integrity and independence of action, and not be dominated by others, such as the Soviet Union.

PERSIAN GULF OIL PRODUCTION

Mr. Fountain. If all of the oil in the Persian Gulf area were to be cut off, how much would we lose?

Mr. Twinam. I will have to figure that out.

Mrs. Fenwick. We are talking about 15 percent of our total consumption which comes out of the Persian Gulf.

Mr. Twinam. We are talking of normally 8.5 million, and now 9.5 million from Saudi Arabia; roughly 2 million barrels a day in Kuwait; 3 million in Iraq; 2 million approximately in Iran; almost 2 million in the United Arab Emirates; a half-million in Qatar; and then about 300,000 barrels a day in Oman, and that oil is not in the gulf itself.

Mr. Fountain. What is the total amount of oil that comes out of the Persian Gulf which goes to those people who are supposed to be our allies and our friends, and who in the event of an all-out confrontation with Russia are supposed to be with us—I say, supposed, because I begin to wonder sometimes who is with us and who is against us.

Mr. Saunders. How much would go to Western Europe and Japan?

Mr. Twinam. Virtually all of it goes to either Western Europe or Japan. Japan is enormously dependent on that oil

Mr. Fountain. Would that be around 90 percent?

Mr. Twinam. Around 90 percent. Western Europe is also heavily dependent on that oil. We could provide breakdowns, if you would like.

Mr. Fountain. That is probably one of the reasons why they have not been quite as outspoken as they might otherwise be. But in the event of the necessity for a serious confrontation, notwithstanding their dependence upon oil, it is your opinion that we would have the support and the cooperation of our allies in Western Europe, in Saudi Arabia, Oman, and other countries in the Persian Gulf area?

COOPERATION OF STATES IN AREA AND WESTERN EUROPE

Mr. Saunders. I think generally speaking that is true.

Let me just reflect for a moment on what it means to have different capabilities. I will go back for a moment, if I might to the Arab-Israeli area, because it is a simple illustration. I think the same applies to actions in the gulf as well.

Obviously, Western Europe has an interest in taking positions that are not regarded in the Arab world as detrimental to Arab interests when it comes to the Arab-Israeli problem. Since Western Europeans do not have the capability to influence progress toward an honest resolution of the Arab-Israeli problem, their way of dealing with that pressure is to take positions friendly to the Arabs.

The United States is under the same pressure, but the United States has the capacity to help the governments in the Arab-Israeli area to move toward an honorable solution of the problem. That requires us to take positions, as we well know post-Camp David, that are not always popular in the Arab nations.

What we stand on is the statement that we have demonstrated that we are the only ones capable of helping governments move in the right direction, and have to rely on the results that we produce to speak for themselves. We can do that, and the Western European governments can't because they don't have the capacity to influence the negotiations.

I think the same principle applies in the gulf. We do have the choice to make, whatever decisions might be, to project military force into the Indian Ocean and the gulf area. The Western Europeans, by and large, with the exception of the French naval forces and a few others, do not have that capability, or certainly on the scale that we do. Therefore, they are more concerned about their political posture vis-a-vis the nations in this area.

We can rely on a variety of resources that we can bring together. I think, perhaps, we are able to stand up in the face of taking less popular political decisions sometimes because we have other things to offer. If you don't have anything much to offer, except words, you offer words. If you have physical capability of one variety or another, then you offer that and you stand on middle ground positions that are honorable and the bases for just compromise.

CONSEQUENCES OF SOVIET TAKEOVER IN THE PERSIAN GULF

Mr. FOUNTAIN. Perhaps this can give you a chance to express the Carter doctrine another way. Suppose we were to sit idly by, and permit Russia, if such should be, to move in such a way as to be able to control and dominate the entire Persian Gulf, what would the consequences of that be so far as we are concerned and our allies?

Mr. SAUNDERS. It would be a major shift in the global balance of power.

Mr. FOUNTAIN. What would that mean?

Mr. SAUNDERS. That means that the Western alliance is eventually threatened, the security of Western Europe and Japan, and we know that on two previous occasions in this century we have felt that to be a cause of war. We are part of an alliance that says that.

I think, Mr. Fountain, that it was that realization the moment after the Soviets went into Afghanistan that brought the President away from Camp David back to the White House recognizing that this is, as he said, one of the most serious things that has happened since World War II. It is not Afghanistan that led to this statement, but the realization that a principle had been breached here in this vitally important area, and one had to react immediately to the first breach of the principle, otherwise we would be on the slope of the kind of situation that you just described.

Mr. **Fountain.** If we didn't, do you know of any other nation in the world that would be able to contest for freedom in opposition to the Soviet Union?

Mr. **Saunders.** We are the leaders of the free world, and I say that with some humility and some pride at the same time. I think, as you said, that imposes great burdens and responsibility on us. I don't think that we can avoid that.

There is a lot of room for legitimate discussion on exactly how you follow through on that point, but I think all of us would agree that the United States has to live up to its responsibilities.

Let me just say one other thing about the allies here. This is a complicated area. There are lots of things going on that respond to the basic problems. For instance, the Germans have taken the leadership in providing aid to Turkey, a troubled member of the NATO alliance, but also a very important nation in the defense of the region that we are talking about. In some ways, it is one of the first lines of defense because it is on the borders of the Soviet Union.

As I have mentioned already, the British play a special role in Oman and in the gulf states because of their historic role there. The British and the French provide military supplies and training to Saudi Arabia and the gulf states. The Western Europeans have technical assistance programs in the gulf.

There are lots of less dramatic things that the allies are doing in this area. It is also true that they have very strong private sector presence in the area, as do we, but that is not inconsequential in bolstering Western presence in the area.

So there is a substantial European presence in the area helping with its development. It is just that when you get into those super areas, if you will, of direct military involvement that they have less capability. But as you have already pointed out, the French have a fleet in the Indian Ocean.

Mr. **Fountain.** Thank you, Mr. Chairman.

Mr. **Hamilton.** Mr. Winn.

SOVIET SUPPORT OF "LIBERATION ORGANIZATIONS"

Mr. **Winn.** Thank you, Mr. Chairman.

Mr. Secretary, on page 4, you say: "The Soviet Union has also provided significant support to other governments and liberation organizations in this area." What do you mean by "liberation organizations"?

Mr. **Saunders.** The PLO, the Polisario, the Front for the Liberation of Oman, and so on.

Mr. **Winn.** Aren't you talking about terrorist groups? Why don't you refer to them as terrorist and militant groups, rather than liberation organizations?

Mr. **Saunders.** Because that is what they call themselves, and that is their formal name.

Mr. WINN. But why should we call them that; why should we kowtow to their desires?

Mr. SAUNDERS. You can put it in quotes, if you would like. It is a fact that this is what their names are.

Mr. WINN. I think we give them credibility when we do that.

Mr. SAUNDERS. I take your point.

U.S. SUPPORT FOR A NEUTRAL AFGHANISTAN

Mr. WINN. President Carter sent a letter to Marshal Tito stating that: "The U.S. supports a neutral, nonalined Afghan Government." Would the United States ever consider negotiating a neutral Afghanistan prior to the Soviets withdrawing their troops?

Mr. SAUNDERS. The withdrawal of the Soviet troops is obviously a prerequisite to the establishment of a neutral and nonalined Afghanistan. You cannot have that kind of Afghanistan as long as Soviet troops are present there.

Mr. WINN. What do you mean by a neutral Afghanistan?

Mr. SAUNDERS. I think we mean an Afghanistan that is not dominated by the Soviet Union, where there are not military forces which are in position to dictate the policies of the country and intimidate the Government.

It is an Afghanistan that would go back to playing the role that Afghanistan has historically played as a nonalined country, a buffer, if you will, between the Soviet Union and the nations to the south. It is a restoration of that traditional role of Afghanistan that we have in mind.

Mr. WINN. What do you see, then, as the advantages or disadvantages of one or the other, neutral or nonalined?

Mr. SAUNDERS. The words mean essentially the same thing, but neutral is the word that is used because it has certain ramifications in international law.

CONTINUED SOVIET PRESENCE IN AFGHANISTAN

Mr. WINN. How long do you believe—this a question asked every hour on the hour—does the Soviet Union intend to maintain a significant level of troops in Afghanistan?

Mr. SAUNDERS. I cannot predict, but I would imagine that they would be there for some time.

Mr. WINN. What are the incentives to the Soviets to stay there? Why do they want to stay there?

Mr. SAUNDERS. There are several reasons, and none of which I condone. But one reason is that they went in there for certain purposes. They went in there to assure that there would be a certain kind of government there that would be compatible with Soviet interests. So they can establish that kind of government, I should think that they would want to stay rather than pulling out and leaving what they would regard as chaos behind.

It is also possible, Mr. Winn, that they want to stay there in order to have a jumping off place for subversion or activities beyond the borders of Afghanistan. We cannot rule that out at all. I think that this is one reason why we are concerned about not only containing what they have done, but pressing for their withdrawal, so we can go back to a situation where they are behind their borders, and there is a buffer between them and Pakistan, and other nations of South Asia.

Mr. WINN. It does not seem to bother them that 75 or 80 percent of the other nations of the world condemn Soviet aggression there.

Mr. SAUNDERS. It does not seem to have produced any change in what they are doing at all. I do think in the longer term it may bother them, and what we have to count on is that over time the kinds of pressures that the President has called for, and a number of other nations have joined us in, will take their toll, and the Soviet Union might find it in their interests to look for a graceful exit. That is the objective. I don't predict that in the immediate future.

Mr. WINN. I was going to say, don't bet on that. I am not nearly as optimistic as you are.

Mr. SAUNDERS. I am not optimistic. I am stating the objective. This is not a prediction. I think that it is going to be very difficult.

IMPACT OF CARTER DOCTRINE

Mr. WINN. I don't think that our so-called Carter doctrine is going to do much, particularly with the various reactions that we have had, the variations and the jumble of policy, the conflicting statements that we have had from the people of this administration that have gone to the gulf and neighboring states. I don't think that there is anything that they have done that has given meaning or clout to the so-called Carter doctrine.

Mr. SAUNDERS. If you compare where we are today and where we were 8 months ago, you would have to recognize a significant difference in the perception of the American posture in this area.

I know, as you go through day by day, one can make a statement, perhaps that you make, but if you go back to last summer and compare it with where we are today with where we were then, I think you will find a significant difference.

Mr. WINN. I hope you are right. What I am talking about is credibility. If Clark Clifford goes over there and makes a statement, and then Secretary Vance criticizes it and seems to reverse U.S. policy. Some of the actions that have been taken supposedly to give additional support to the Carter doctrine, have really made us look not too good.

Mr. SAUNDERS. I think it depends on whether you are reading the daily headlines or the monthly perspectives, because if you look at the general direction, the general move in American posture, you see steady movement in one direction.

Our Government is so big and complex, and the world is so big and complex, if you go on the basis of the daily headlines—as a matter of fact, you can read opposite headlines in different papers on the same morning.

BASES IN THE SINAI

Mr. WINN. I am sure you can, but I don't see any scorecard that keeps the score. I am sure you feel that way down there, that you are showing some momentum.

I want to change the subject a little bit more because I want to ask you about the bases that you talked about. I want to ask you if there is any consideration being given to the United States securing the two bases in the Sinai?

Mr. SAUNDERS. There has been talk on that since before Camp David, as you may recall. At this point, we are not pursuing that subject.

Mr. WINN. Why not? Aren't they closer than the bases that we talked about in Somalia?

Mr. SAUNDERS. I think the answer is that the full implementation of the Egyptian-Israeli Treaty, with its provisions with demilitarization, and so on, has importance in its own right. We felt it desirable at this stage to observe scrupulously those provisions ourselves.

I think it is also true that if we needed the cooperation of Egypt or Israel, we could count on it.

Mr. WINN. Wouldn't it have to be included in the new updated discussions that are going to be held in the next few weeks, in April, just from a practical military standpoint. I am sure that you have looked at the overall political ramifications. But from the military standpoint, the Sinai bases have the advantage of being closer to the European theater and they would also enhance the security of the 6th Fleet. Besides that, we are welcome in Egypt.

Mr. SAUNDERS. And in Israel, both.

The talks next month of the President with President Sadat and Prime Minister Begin will be concentrated mainly on the negotiations dealing with the West Bank and Gaza, rather than on the Egyptian-Israeli Treaty.

Mr. WINN. I realize that, but I thought that they would want this topic on the agenda.

If we worked something there, don't you think that it would sort of deepen the security relationship with Egypt and Israel which is very, very important, obviously, rather than the action that we are taking in Kenya and Somalia. There are so many good reasons for those bases.

Mr. SAUNDERS. There is another factor there, too, and that is that we would need, I think, to have a broader regional context of movement toward a comprehensive peace before a relationship with those bases might fit into a system of preserving stability in the region. I think the timing is a bit early. I could see something maybe down the track, and maybe the day will come.

DEFINITION OF U.S. POLICY IN AREA

Mr. WINN. This is partly facetious, but I am serious about it. I wonder how many people down at the State Department know what the Carter doctrine is. I think that it is kind of obvious that the members of this subcommittee are not sure what it is or whether it really exists other than in name only.

Mr. SAUNDERS. I think that the problem is not that people don't understand it, but that people don't realize that they understand as much as they do.

As I said in response to Mr. Hamilton a while back, we have a tendency to think—first of all, I have not used myself the words, "Carter doctrine."

Mr. WINN. Where did that start?

Mr. SAUNDERS. I don't know, probably in the press. Anyway, it is just a designation.

The point that I have been trying to make here is that we really don't have one policy solution to offer here. This is not a Baghdad pact. It is not a Nixon doctrine. It is not making Iran the keeper of stability in the gulf. It is a much more complicated policy, and it is very hard to catch it in a single slogan.

The closest I have been able to come, and the President has been able to come, is in that very carefully grafted phrase about a cooperative security framework. But it is a collection of policies, and I think that it is stronger for that, really, because it builds this into the fabric of relationships that are already ongoing and developed. It intensifies the constructive aspects of our policies in the region, and it builds on them.

After all, our policy for a long time has been to support the independence of these countries. That is what this is all about. In the wake of a new Soviet threat, we have to intensify our efforts to do that. Although, I acknowledge with Mr. Rosenthal that we are doing something new here, I would also say that we are doing something old. The point is that we need to give more national attention to this area, and even more national attention than we have in the past.

But when you talk about a network of approaches, or a framework for a variety of policies, you are not talking about something easy and simple to capture, that is where I think the feeling of confusion lies. For anybody who understands what we have been doing in this area for the last couple of years, and how we are now building on that, I don't think there needs to be any confusion. I don't sense any confusion among my colleagues about what we are doing here. I think they welcome it.

Mr. WINN. I sense some confusion among my colleagues.

Mr. SAUNDERS. I think that this is why we welcome this kind of exchange, and we welcome continuing it. I think that you really have a better feel for it than maybe you think you do because you are looking for something that we are not talking about.

IRANIAN OIL

Mr. WINN. Let me ask you one more question about a statement that Mr. Fountain touched about the oil. NBC—I think that it was Thursday night, or maybe it was Friday night—had a report that said that there was more oil coming from Iran into the United States now than during the same months in the previous year. I heard part of it. I think the next response was that this was oil that was in the pipeline.

Are you aware of this statement that they made?

Mr. SAUNDERS. I am not aware of the NBC report. Basically, we have not bought any oil since early in November.

Mr. WINN. What you are saying is that the United States has not bought any oil from Iran. What they are saying is that other people today are buying the oil, either private enterprise in other countries, and it is going around through other ways, and it is coming to the

United States. When they asked the people involved, they said that they did not know about that, and they would have to check into it. If we don't know what is coming into the United States——

Mr. SAUNDERS. It is very difficult in the oil market to ever know what the ultimate source of the oil is because it goes through several hands, or it goes into one dealer's hands which frees other resources that come here. It is very hard to track.

I might add that we found that, in the past, to be a very welcomed thing. This is in some way the way that Israel has been supplied over the years. The oil from a variety of sources gets mixed up in the system, and that is how Israel gets to buy it. So it is a useful thing sometimes. As a matter of national policy, the United States has not bought any oil from Iran.

Mr. WINN. That is one reason I asked the question. I wondered if the President just went on the tube and made a big tough statement, and then did not do a darn thing about it.

Mr. SAUNDERS. No. Americans have not bought from Iran. That is a very distinct act that stopped.

Mr. WINN. It intrigued me enough that I am going to try to find out where NBC got that information.

Thank you, Mr. Chairman.

OIL IMPORTED TO THE UNITED STATES FROM THE PERSIAN GULF

Mr. HAMILTON. Let me get it clear how much oil is involved. How many million barrels a day come to the United States from the Persian Gulf?

Mr. TWINAM. Approximately 2 million, Mr. Chairman, and mostly from Saudi Arabia.

Mr. HAMILTON. Could you give us a list of countries that supply oil to the United States, ranking them in order of importance?

Mr. SAUNDERS. Outside the gulf as well?

Mr. HAMILTON. I think so. I think we would like to have them all.

[The information follows:]

1979 PETROLEUM IMPORTS (CRUDE AND PRODUCTS) INTO THE 50 STATES

[In thousands of barrels daily]

	1st 11 mo average	August	September	October	November
Total imports	8,156	8,367	7,921	7,976	7,456
Imports from OPEC countries	5,575	5,963	5,413	5,2[illegible]	4,7[illegible]
Saudi Arabia	1,346	1,3[illegible]	1,331	1,2[illegible]	1,1[illegible]
Nigeria	1,0[illegible]	1,156	1,1[illegible]	[illegible]	[illegible]
Venezuela	[illegible]	[illegible]	721	[illegible]	[illegible]
Libya	[illegible]	657	611	711	44[illegible]
Algeria	[illegible]	[illegible]	4[illegible]1	[illegible]	[illegible]
Canada	516	4[illegible]	4[illegible]	472	[illegible]
Mexico	416	427	407	450	406

Source: Department of Energy.

Mr. HAMILTON. Is it your judgment that the American economy would not function without the oil coming out of the gulf area?

Mr. TWINAM. Mr. Chairman, subject to all the fungibility of oil, the amount of oil coming from the gulf is absolutely critical to the world economy, and the part that comes to us is extremely important to our economy at this stage.

Mr. **Hamilton**. It is your judgment that if we did not get that oil the American economy would be in very great danger. Is that a fair statement?

Mr. **Twinam**. Being short 2 million barrels at this time would be extremely serious.

Mr. **Hamilton**. It would be even more serious for our allies.

Mr. **Twinam**. Correct.

Mr. **Hamilton**. Do we look upon Iraq as potentially the second most important producer of oil in the region?

Mr. **Twinam**. Subject to what may happen in Iranian production, Iraq certainly ranks with Iran as the second most important producer.

OPEC

Mr. **Hamilton**. What is happening in OPEC today? Who are the key players? Who holds the preeminent positions? What kind of a consensus does it have?

Mr. **Twinam**. Certainly Saudi Arabia remains the most important individual country being the biggest supplier, and being able in terms of economic needs to cut production more than any other producer to firm the market, should OPEC decide to do that.

Mr. **Hamilton**. The Saudis are no longer as preeminent as they were. Is that a fair statement?

Mr. **Twinam**. What has happened in the last year is that Saudi Arabia has not had the capacity to completely make up for the loss in Iranian production. Therefore, they have not been able to control the market on the top side, so to speak, in terms of price.

Mr. **Hamilton**. What about the consensus of the group? Prices vary among OPEC nations today. They don't have any single price.

Mr. **Twinam**. The price is running from $26 on the Saudi side to $34 in some countries.

Mr. **Hamilton**. Have we had a breakdown in the consensus in OPEC?

Mr. **Twinam**. We certainly have had a breakdown in the unified price in OPEC. Saudi Arabia, Kuwait, and other governments have been working, in part, by keeping additional production above that which they normally would produce on the market to try to develop a unity of price in OPEC once again.

Mr. **Hamilton**. Who are the important players besides Saudi Arabia? Who would you say are second and third?

Mr. **Twinam**. Iraq is now the second largest gulf producer. Of course, Nigeria and Libya are important producers, particularly as far as U.S. imports are concerned. Venezuela remains an important producer as well.

PRODUCTION TRENDS AMONG OPEC NATIONS

Mr. **Hamilton**. There has been a lot of talk about reducing production among the OPEC nations. I think some are either scheduled to reduce it, or have already reduced it. What is behind that? Why are they doing that? How serious is it?

Mr. **Twinam.** I think the first announcement was made by Kuwait. Kuwait raised production above its normal level when Iranian production went off approximately a year ago, and they made clear at that time that whenever they felt the market would permit, they would reduce production. They reduced production recently from approximately 2.2 million barrels a day to 2 million, and they have indicated that they might reduce production even further, perhaps down to 1.5 million barrels a day.

Their basic motivation is their sense that their economy does not require producing even 1.5 million, because of conservation pressures domestically, they want to get production down to a level more consistent with their economic needs.

Mr. **Hamilton.** Do we go to Kuwait and say: "Let's get it up to 2 million."

Mr. **Twinam.** We have had continuing discussions with Kuwait about the importance of keeping production in balance with demand.

Mr. **Hamilton.** They have said, "No, thanks."

Mr. **Twinam.** I think it is important to note that they have kept production higher than usual for the last year, and that they originally announced, for instance, they they might cut back to 1.5 at the beginning of this year, and they haven't yet. They have cut back some.

Mr. **Hamilton.** What about the other countries in the area?

Mr. **Twinam.** There have been no significant cuts in the United Arab Emirates. Saudi Arabia, as you know, has continued for most of the last year to produce at least a million barrels a day above normal levels.

Mr. **Hamilton.** Is that 9.5 million barrels?

Mr. **Twinam.** Yes.

Mr. **Hamilton.** How long are they going to continue that?

Mr. **Twinam.** I don't think they have decided how long they might continue. They have made it very clear publicly and consistently that it is temporary, and that they are eager to get back down to 8.5 or whatever the market permits below that.

Mr. **Hamilton.** To what do they link that production level?

Mr. **Twinam.** Stability in world oil markets, and their interest in unifying the OPEC price.

PALESTINIAN PROBLEM AND SAUDI PRODUCTION

Mr. **Hamilton.** Do they link it to the Palestinian question in any way?

Mr. **Twinam.** Not directly.

Mr. **Hamilton.** What do you mean, not directly? Do they do it indirectly?

Mr. **Twinam.** The Minister of Petroleum has made a number of public statements indicating that over the long term, Saudi attitudes about meeting world oil demand will be influenced by their perception of how the world looks at Palestinians.

Mr. **Hamilton.** So there is a link.

Mr. **Twinam.** But not a direct link in terms of any specific terms.

Mr. **Hamilton.** That is pretty direct if the Minister of Petroleum is talking about that.

Mr. **Twinam.** But long term, and not in connection with the 8.5 million–9.5 million decision to increase production.

COOPERATION BETWEEN PRODUCERS AND CONSUMERS

Mr. Hamilton. The Brandt commission has just come out with a proposal. That commission is called the Independent Commission on International Development Issues. Mr. Peterson, the former Secretary of Commerce, and a member of the commission, had an article recently in the Washington Post in which he indicated that it is time "to make a deal" with the OPEC nations.

That deal would be a package, as I understand it, in which there would be several elements, including increased security of supply; more predictable, gradual, and indexed price increases; additional exploration in the countries of the developing world; more stringent conservation.

The central point was that we have common interests here among the developing countries, among the oil-producing countries, and among the industrialized oil-importing countries. Have we done anything to pursue that kind of a deal? Are we interested in it? Do we reject the idea of it? What is our attitude toward that recommendation?

Mr. Twinam. I don't think that we have taken a position as to a specific proposal, certainly for the last year if not before, in our contacts, including cabinet level contacts with countries like Saudi Arabia, Kuwait, United Arab Emirates. We have been discussing the need for a stronger cooperative relationship between producers and consumers to keep balance in the market.

Mr. Hamilton. Is OPEC interested in that?

Mr. Twinam. As an organization, they have not conveyed that to us. Certainly, those producers recognize the common interest in keeping balance. We have discussed with them what we and other major consumers have been doing in terms of restraining demand for imported oil. They welcome that. We have talked in rather preliminary fashion recently about the need to help developing countries with energy resources, and they are enthusiastic about that.

Mr. Hamilton. I am trying to get some idea of how you assess that recommendation. Is that a pipedream, or is it a possible reality? Is it something that we really ought to press for? How do you assess it? What is your judgment? Is this something that our diplomacy ought to pursue vigorously, or do we think that it is just off-the-wall?

Mr. Twinam. The objectives of it, generally, are very much what our diplomacy is pursuing. Now, whether you can make a specific firm package arrangement, whether you can make it with a group of countries, or whether you have to deal with it bilaterally; whether you can actually name an agreed-on figure, that is a very complicated problem that has to be addressed.

Mr. Hamilton. Suppose the United States were to issue an invitation to all these countries to come to Washington and discuss this? What is the disadvantage of doing that? We lay out the agenda, and suggest some of the things that we want to discuss with them. Why not do that?

You understand the background. We have had these terrible oil shocks, instability in all the markets, and our own economic problems which are caused by this energy question. There is not any single step that could be taken in the world economy today that would be more important than to stabilize the accessibility to, and, price of, oil.

I cannot think of very many steps that would be more important, or very many goals that would be more important for our diplomacy to consider. Why isn't something like that really worth going after—calling a big conference, and getting all the nations together and talking about it. What is there to lose?

Mr. TWINAM. It is a very complex question, but one of the problems that has been in the whole background over the last, let us say, 4 or 5 years in talking with these countries about energy dialog, is that OPEC countries have generally taken the position that they would not be prepared to discuss in any formal sense energy with the consumers unless a whole range of other issues of interest to the developing world, such as trade and foreign investment, and so forth, were also discussed.

This is how we got into CIEC, and basically coming out of that these governments have taken the position that they would not have an energy dialog in isolation. It does not mean that we can't and have not on a bilateral basis with a number of them pursued some of these questions.

Mr. HAMILTON. So, in effect, what you are telling me is that they have really rejected the kind of approach that has been put forward in the recommendations of the Brandt Commission. In other words, they are not willing to have a conference to discuss those items that I mentioned a moment ago, because they want to bring in a lot of other issues into it, many of the North-South issues.

Mr. TWINAM. They have not been willing to do that.

SOVIET ADVANTAGES IN THE PERSIAN GULF AS A RESULT OF AFGHANISTAN

Mr. HAMILTON. I want to get a little idea of how the Soviet Union is advantaged by what they have done in Afghanistan vis-a-vis the Persian Gulf. How close are they to the Persian Gulf? Are they 300 miles away from the Strait of Hormuz?

Mr. SAUNDERS. I think that that is about right. I think the point is a broader one that if they stay in Afghanistan, they have a base of operations closer to not only the Strait of Hormuz, but to the ocean. They have a basis from which to encourage subversion in various tribal areas of Pakistan and Iran, and thereby open a corridor to the sea, if you want to call it that, in some fashion.

I think Afghanistan would not necessarily be the most direct route to the gulf. If they were headed in that direction, they probably would be more likely to go straight from the Soviet-Iranian borders through northern Iran to the gulf.

Mr. HAMILTON. Do you see the invasion of Afghanistan as an initial Soviet step to seek access to warm water ports?

Mr. SAUNDERS. I don't think that the most astute analyst in this business can really answer that question. I think the basic point, as the Secretary said in Chicago, is that the threat is there and prudence requires that we deal with it as if the answer to your question were yes. But we are not predicting that that is going to happen. We are not even saying that the Soviets necessarily went into Afghanistan for that larger purpose. But the fact that they are there creates the possibility and the capability to go on.

CONCERN OVER SOVIET INDIRECT POLITICAL SUBVERSION

Mr. HAMILTON. Is our chief concern about the Soviet threat to that area today concern about a direct military threat or an indirect political subversion threat?

Mr. SAUNDERS. I think that it is both.

Mr. HAMILTON. You don't rank one above the other particularly.

Mr. SAUNDERS. I guess if I had to guess I would think that maybe the subversion is the more likely first step than another overt military move.

Mr. HAMILTON. That subversion would be in countries like Pakistan and Iran?

Mr. SAUNDERS. Parts of Pakistan and then the adjoining areas of Iran where there is already instability.

Mr. HAMILTON. How do you judge the problems in the Persian Gulf? Are they principally external threats, military threats, or are the internal changes and threats of instability more critical than the external threats? Do you make a judgment as to one over the other?

Mr. SAUNDERS. Within the gulf itself, I think there is not a great threat of aggression of one nation there against another nation there, with the possible exception of Iraq, and potentially of Iran once Iran pulls itself together. I think the concern, to the extent that there is one, is one of internal subversion in the first instance.

Mr. HAMILTON. The thing that worries the State Department planners, then, and keeps you awake nights worrying is more the internal instability of Saudi Arabia, for example, than a Soviet invasion of Saudi Arabia?

Mr. SAUNDERS. Yes. When I talk about internal stability, I used the word a moment ago, "subversion," I think about the external component of internal instability.

LINKAGE BETWEEN ARAB-ISRAELI SETTLEMENT AND INTERESTS IN GULF

Mr. HAMILTON. I want to get a feel for the importance of the linkage between the comprehensive Arab-Israeli settlement and the ability to protect our interests in the Persian Gulf. You mentioned that in your statement.

Just how critical is progress in the Arab-Israeli peace process to the protection of U.S. interests in the gulf?

Mr. SAUNDERS. Let me begin to answer that and lay one point to rest. Some people have said that it is more essential than ever before that we resolve the Palestinian issue in order to address problems in the gulf. There has been a concern, therefore, that we are going to panic, and somehow sell out the security of Israel or somebody else's interest in this process.

I don't accept that proposition because, as we all know, and this is why I put one sentence in the statement, the efforts to resolve the Arab-Israeli problem have long predated the Soviet invasion of

Afghanistan. We started with 242 in 1967, and everything else since 1973, Camp David, the peace treaty, and so on.

We have long regarded the solution of the Arab-Israeli problem as central to stability in the area. I have said on a number of occasions in this committee that the pursuit of an Arab-Israeli settlement is the centerpiece of our strategy in this area because it permits us to pursue our other interests in the area while pursuing a moral, honorable, and strategically important objective.

So, let's lay that point aside and come back to your point. What is the relationship between an Arab-Israeli peace and peace in the gulf? I think that it is twofold. One is, first of all, that if there is a breakdown in the stability of the Arab-Israeli area. Another Arab-Israeli war makes that area vulnerable to the kind of Soviet intervention that threatened at the end of the 1967 war, that took place during the war of attrition, and was threatened after October 22, 1973, in Egypt.

Soviet intervention in that area opens the door to Soviet moves in other areas as well. So I think that this is point No. 1, to reduce the potential for direct Soviet involvement.

Second is the other point that I was making a while back; namely, the nations in the gulf see continuing instability in the Arab-Israeli area as playing back into their own security situations. The Palestinian movement, for instance, has roots not just in the aspirations of a Palestinian nation, but also in some of the radical Arab philosophies, nationalist philosophies, that predate 1967.

Therefore, some elements of that movement are potentially a security threat in the gulf and in the peninsula, and those nations regard the resolution of the Palestinian problem in a way that is constructive and draws the involvement of constructive moderate Palestinian elements into a solution of the Palestinian problem as a contribution to security in the gulf area.

U.S. STRATEGY IN THE PERSIAN GULF

Mr. Hamilton. Of the various responses you list in your statement, the security response, the political response, the Arab-Israeli peace process, the diplomatic response, and the economic response, how would you rate the importance of those in terms of the protection of U.S. interests in the area?

Mr. Saunders. That is a very difficult question, and any answer is going to be imperfect, but let me just try for a moment.

First of all, the security response has the newest elements in it of any of these. Therefore, I think in terms of the attention that the United States gives that, and the fact that it perhaps most directly responds to what the Soviets have done in Afghanistan, I would say that over the coming months, perhaps, we will give that a very high level of attention.

Then, I would like to go immediately to the Arab-Israeli area for the reasons that I have described a moment ago. You will recall that in other testimony I have said that pursuit of an Arab-Israeli peace is the the centerpiece of American strategy in the Middle East because while we are engaged in pursuing an objective that is acceptable to all of the countries in the area, we have the capability of conducting a closer relationship with all the nations in the area. We are not forced to mo to one side of the dispute or the other, as long as we are engaged i that objective.

I think that I have to come back to that as the centerpiece of ou strategy.

Third, I have also said that our economic presence in the area, fo instance, has permitted Egypt to change its orientation away from th Soviet Union and toward the West. So that is extremely important although less dramatic, longer term, less requiring daily governmenta attention, perhaps, than the Arab-Israeli negotiations are.

SECURITY OF ISRAEL AS STRATEGIC INTEREST OF THE UNITED STAT

Mr. HAMILTON. One of your sentences on page 12, struck me. You say: "The security of Israel is essential to success of this effort and i in the strategic interest of the United States." Is that a new twist fo us to talk about the strategic interests of the United States being involved in our relationship with Israel?

Mr. SAUNDERS. I don't think so. The President said that on severa occasions, one of which I recall when he accepted Ambassador Evron's credentials a good while back, and we have used it from time to time

I think if peace in the area is important to the strategic interests o the United States, and Israel's security is essential to achieving tha objective, it is obvious that Israel's security is important to the strategic objectives of the United States.

UNITED STATES-SAUDI RELATIONS

Mr. HAMILTON. Would you agree with the statement that Unite States-Saudi Arabian relations are stable, but not particularly close

Mr. SAUNDERS. I think they are close. Obviously, there are from time to time different perceptions of each other, of our policies, but I think in the last year, for instance, the collaboration in connection with the security of North Yemen and to a lesser degree the security of Oman, that whole dialog which took place at all levels of our two Governments was really a very important demonstration of our working together.

Let me say that I think that the economic dialog between the two Governments has been very close and continuing.

Mr. HAMILTON. What is the major difference between us at the moment? Is it the Palestinian question?

Mr. SAUNDERS. I think our inability to deliver an early seattlement of the Arab-Israeli dispute, and our strategy for going about it is a source of disagreement between us, but not the objective, I think, of a genuine and honorable peace. I think we share that.

Mr. HAMILTON. If we reached an agreement on the West Bank which would be satisfactory to Mr. Sadat, would that satisfy the Saudis?

Mr. SAUNDERS. It would if the Palestinians themselves were to engage in the process. I think that it is critical to most of the Arabs. If the Palestinians can see their way clear to involving themselves in the peace process, then I think the Saudis would feel that that was a step that they could support.

Mr. **Hamilton**. What is your assessment of the communications between the United States and the Saudi Government? Are they satisfactory? Are they clear?

It seems to me in looking back over a number of visits that we have had with the Saudis, oftentimes our officials come away from there with not a clear understanding of the Saudi position.

Mr. **Saunders**. I think that it is fair to say that. I think it is fair to say that there has a been some lack of understanding on both sides. But I think that that is perhaps an almost inevitable result of trying to communicate between two very different cultures.

The dialog that we have had with them has been on a very high level, the number of cabinet officials, theirs and ours, who are in touch with each other, either by visits or otherwise, is large. I think there is a good deal of communication, and there are inevitable gaps in our understanding. There is also just plain disagreement on the Arab-Israeli thing.

EVALUATION OF THE GRAND MOSQUE INCIDENT

Mr. **Hamilton**. I don't think we have had an opportunity to get in public session your assessment of the Grand Mosque incident. Would you tell us how you assess that; how serious do you think it was; what the implications of it have been; what the response to it has been within Saudi Arabia? Does it portend real instability in the Kingdom?

Mr. **Saunders**. I would like Joe to add some details to that, but I think my own feelings would be that it was an incident that was contained. It does not necessarily portend more events of that kind. It did have political as well as religious inspiration behind it, but it did not have wide roots in the society.

I think, however, the Saudis themselves have taken it very seriously, and have begun to look at the other possible causes of discontent.

Mr. **Hamilton**. Were there any outside elements that caused the incident?

Mr. **Saunders**. I think there were a few participants that came from outside or were part of the group, but I don't think that one would say that there was outside instigation.

Mr. **Hamilton**. You view it primarily as a religiously motivated incident on the part of the insurgents?

Mr. **Saunders**. I think there were political motivations for the group as well. Maybe Joe could elaborate on this a little.

Mr. **Hamilton**. Political motivations in the sense that they wanted to bring about the downfall of the Kingdom?

Mr. **Saunders**. I don't know that it went that far, but I think that one would say, to change some of the practices in the Kingdom.

Mr. **Twinam**. Mr. Chairman, given the religious beliefs of the group, inherently they were political in a state like Saudi Arabia in that they were proposing a new leader.

I think the Saudis' investigation of the group, and our own best information is that there seems to be virtually no support in Saudi Arabia for what the group was about, the religious motives of the group, or support for what they did. But the group did express some social views that are widely supported in Saudi Arabia. The government, of course, has been sensitive to these views for many, many years.

Mr. HAMILTON. What do those social views relate to? Corruption in the royal family?

Mr. TWINAM. The preservation of some of the basic, fundamentalist doctrine of the society, religious doctrine——

Mr. HAMILTON. And corruption?

Mr. TWINAM. There was indication of criticism of corruption. The Crown Prince has publicly addressed that question.

Mr. HAMILTON. What did he say about it?

Mr. TWINAM. Awareness of problems with business dealings, and personal conduct of members of the society, including members of the royal family, and that this is a cause for concern.

PERFORMANCE OF THE SAUDI NATIONAL GUARD

Mr. HAMILTON. How did the Saudi National Guard perform in rooting out the insurgents?

Mr. TWINAM. I think there are a variety of expert views, and I am not one of the experts. But I think the thing to keep in mind is that they were dealing with a holy place, and they were very much restrained from taking certain kinds of actions that they would have taken in a different kind of environment.

Mr. HAMILTON. What does that mean?

Mr. TWINAM. They did not shoot the place up.

Mr. HAMILTON. So they performed satisfactorily given the circumstances in existence.

Mr. TWINAM. Yes.

Mr. HAMILTON. The regional commander was kicked out, wasn't he? Were they dissatisfied with his performance?

Mr. TWINAM. The Emir of Mecca, who has overall responsibility for the region, did retire. It is not quite clear that it was related.

Mr. HAMILTON. Did he retire, or was he kicked out?

Mr. TWINAM. It is not quite clear that it was related specifically to that, even though it followed the incident.

Mr. HAMILTON. What did he do? Did he retire for reasons of health? [Laughter.]

Mr. TWINAM. He had indicated for some time that he wished to retire.

Mr. HAMILTON. Is that a fact?

Mr. TWINAM. It is our understanding that he had indicated for some time that he wished to retire.

Mr. HAMILTON. The Grand Mosque incident caused his health to deteriorate rapidly; is that it? [Laughter.]

Mr. TWINAM. We have different accounts by different experts as to how well they handled it. There were supply problems of various kinds, and so forth.

It is awfully hard for us, of course, to get a personal view of what goes on in Mecca.

Mr. HAMILTON. They did not have much prior notification of this group at all, did they? Had they identified these people at all prior to the incident?

Mr. TWINAM. There are indications that the Government was quite aware of the existence of the group, indeed, had been concerned about the group. But, apparently had no reason to believe that the group was going to do what it did in Mecca, or stage any kind of violent act.

AGREEMENT BETWEEN NORTH YEMEN AND SAUDI ARABIA

Mr. HAMILTON. We had reports in the press last week that the Saudis have worked out an arrangement with North Yemen by which North Yemen would refuse to take any more Soviet military equipment. I think they were also going to remove some of their Soviet advisers. Are those accurate reports? What is happening?

Mr. TWINAM. Our best information is that, as you know, there have been discussions over a number of months, and that they are moving toward an agreement and perhaps have reached not a formal agreement, but an informal understanding along those lines.

Mr. HAMILTON. With the Saudis?

Mr. TWINAM. Between the Saudis and North Yemen. However, we do not have any specific detail on that.

Mr. HAMILTON. If there were an attack on North Yemen today, would we consider that an attack on Saudi Arabia?

Mr. SAUNDERS. I don't think that in the technical sense of the word we would. Obviously, as was the case a year ago, an attack on North Yemen was regarded as a threat to the security of Saudi Arabia, and we responded in that fashion.

Mr. HAMILTON. But if there were an attack, would we consider that an assault on our vital interests, and would it come within the statement of the President about using military force to repel it?

Mr. SAUNDERS. I would want to think through all the ramifications of that. The fact is that when South Yemen attacked North Yemen a year ago, we did several things. We, first of all, collaborated closely with the Saudi Government.

Second, we provided military supplies with the cooperation of the Saudi Government to North Yemen. We sent training teams there to help in placing the equipment in the Yemeni forces. So we responded in a forceful way, and I think we felt that that response was adequate to the needs of that situation.

Here again, Mr. Chairman, you get into the complexities, as I said in my statement, of defining just exactly who is responsible for an invasion of that kind. That was an invasion by the forces of South Yemen into North Yemen, but with Soviets, Cubans, and Eastern Europeans just over the border, and providing some sort of logistical help and base.

IMPORTANCE OF A STABLE SAUDI-YEMENI RELATIONSHIP

Mr. HAMILTON. The point that I want to get at is, are Saudi-Yemeni relationships vital to U.S. interests in the Persian Gulf?

If you have instability in those relationships, if a war broke out in the area, how does that affect U.S. interests, and what kind of response would we make?

Mr. SAUNDERS. I don't know how you can be more precise about that than to say we have an interest in the integrity of Yemen because it is important to the stability of the peninsula. We would work wi the Saudis and others to do what we could to help preserve the integrity of North Yemen. What that would require, given the particula threat at that moment, we would have to see when the situatio arises.

Mr. **Hamilton.** Can you envision circumstances in which it woul require us to commit American military forces?

Mr. **Saunders.** At this point, I guess, I don't necessarily see thos but I don't want to close any doors because I cannot predict all th circumstances which might arise.

I think that what is important to recognize in the President's remarks is that he was talking about outside forces. If one could se Cubans or Soviets going across the border into North Yemen, you would have a very different situation from the situation we had a yea ago. I think that that would make a substantial difference to us.

Mr. **Hamilton.** Mrs. Fenwick, do you have additional questions?

KUWAIT'S RELATIONS WITH THE SOVIET UNION

Mrs. **Fenwick.** Thank you, Mr. Chairman.

Is there any truth to the rumor that Kuwait is selling oil and getting some kind of missile from the Soviet Union?

Mr. **Twinam.** Mrs. Fenwick, the Kuwaitis have purchased missiles from the Soviet Union; they did so some 2 years ago. It had no connection with oil at all. There was, if I recall it correctly, some sort of public Kuwaiti statement by an official in the last several weeks that they would not rule out the possibility of selling oil to the Soviet Union.

Alone of the countries on the Arab side of the gulf they have had relations with the Soviets for many years.

Mrs. **Fenwick.** Why would they buy their missiles from the Soviet Union instead of from us? Do we know why this is? Have they indicated a leaning in that direction?

Mr. **Twinam.** We certainly discussed it with them. We have been a substantial supplier of military equipment to Kuwait. Their explanation was, and I think they indicated this publicly as well, that they attach great importance to having diversified sources of supply, and don't want to be dependent on any one country or group of countries.

SALE OF FRIGATES AND ENGINES TO IRAQ

Mrs. **Fenwick.** I wonder if you could just briefly go into another matter. I am interested in the four frigates and the eight engines that were going to go to Iraq. Those engines were designed for naval vessels, and under the ban, since that country is listed as one that supports international terrorism; they are not to be delivered without notifying Congress in advance. Has this been officially decided; is that project at the end?

Mr. **Saunders.** That particular sale, as you know, is one that ran into two sets of interests here in the United States. One is in simplifying the controls over exports. The other, of course, was the interest in preventing sensitive exports from going to governments which supported terrorists.

Mrs. **Fenwick.** It was not sensitive exports. It was those which might be useful for military purposes.

Mr. **Saunders.** The turbines that were involved in this case were not designed specifically for military use. They did not fall into the category which was under control. Therefore, they were approved in a routine way.

Mrs. **Fenwick.** Do you mean that the sale has gone through, Mr. Saunders?

Mr. **Saunders.** It had gone through. It had been approved.

Mrs. **Fenwick.** But they have not been delivered, have they?

What was supposed to be clear in the legislation is that we will not sell without notification material that could be useful to the military or armed services. Here are eight engines to power four frigates which are clearly naval vessels. The ships are not used in commerce. These engines will not be used in commerce. Regarding the fact that we did not list engines—we could have gone endlessly. You cannot make a total list of all the items that are going to be of concern, but it was clear that the legislation referred to material that would be used for military purposes.

Mr. **Saunders.** The problem is, and it is not a problem that has been resolved satisfactorily, that this dealt with material that has a dual purpose.

Mrs. **Fenwick.** That is not a dual purpose, since they are going into frigates.

Mr. **Saunders.** Yes; but this is not a piece of equipment that is peculiar to military use. It is a piece of equipment that could go into other purposes.

Mrs. **Fenwick.** No; but its end use is peculiar, Mr. Saunders, and it was a declared use.

Mr. **Saunders.** That is true. But the categorization of items——

Mrs. **Fenwick.** It was not categorized.

Mr. **Saunders.** That is the problem.

Mrs. **Fenwick.** It was not categorized and it cannot be categorized. You cannot make a list of all the items. What we did intend in this Congress was that we would not send things that were going to be used for military purposes. Now, these were clearly designed for military purposes, and you have gone ahead and approved the sale. How can that be?

The State Department itself, and the Commerce Department will tell you that you cannot make a complete list. It is impossible. How could we write it more clearly?

Mr. **Saunders.** That is what we are going to have to work on.

Mrs. **Fenwick.** But it is a stated military use. Very often we will be fooled, and we will find out that a country wants trucks to take soldiers to the border, and that could be explicable, at least. But there is no denying here that the eight engines were designed for frigates, and then the Government goes ahead and OK's the sale to a country on the Government's own terrorist list.

Mr. **Saunders.** Once again, as I said, the problem is that in working out the procedures for implementing this new legislation, those sales did slip through, and they were not caught by the categories that were established. It is as simple as that.

Mrs. FENWICK. The categories that were established were items th could be used for military purposes in one of these listed nations. Th was the category. How could it slip through that category?

If you tell me there was an error, certainly we understand you wi have errors. But if you tell me that there was some error in writing th legislation, it is not possible to write it in any other way——

Mr. SAUNDERS. I did not say that there was a mistake in writing th legislation. I said there was a mistake in writing the administrativ categorizations that were followed in the implementation of the legi lation. That is where the mistake is.

Mrs. FENWICK. They are going to be stopped, aren't they?

Mr. SAUNDERS. That decision has not been made yet.

Mrs. FENWICK. Who is going to make it?

Mr. SAUNDERS. The top levels of our Government.

Mrs. FENWICK. I will be sending signals to everybody.

What about the Italian hot sale to Iraq?

Mr. SAUNDERS. I think that as far as nuclear capability is concerned our effort is to try to prevent the proliferation of nuclear capability of any kind, and we are engaged in an effort to try to close off avenue of acquiring nuclear capability.

Mrs. FENWICK. Thank you, Mr. Chairman.

Mr. HAMILTON. Mr. Fountain.

OIL IMPORTS

Mr. FOUNTAIN. Mr. Chairman, I note in the Department of Defense annual report in tables 4 and 5, U.S. Oil Imports by Source, that in May 1979 it appears we were getting 60 percent of our oil from Saudi Arabia, Nigeria, Algeria, Libya, and Mexico. Just from Algeria and Libya, we were getting almost 39 percent. What are those figures?

Mr. SAUNDERS. They are percentages of the total that we import, and not percentages of our total consumption.

Mr. FOUNTAIN. Of the total that we import?

Mr. SAUNDERS. Right.

Mr. FOUNTAIN. I want to get back to the President's statement again.

Is there anything new in the so-called Carter policy? Hasn't it been the policy of the United States under previous administrations to consider the Persian Gulf vital to the national interests of the United States?

Mr. SAUNDERS. I believe that is true. I believe what is new here is that the President has said that in so many words. I don't think that that has been said at that level in so many words before.

I think the second thing that is new here is the enhanced military presence in the area.

Mr. FOUNTAIN. Because of the things that have transpired.

Mr. SAUNDERS. Yes; because of things that have happened. I agree with you. As I said earlier in the hearing, I think we have worked on the assumption for some time, particularly since the oil embargo of 1973–74, that this area is of tremendous importance to us.

As I said earlier, I have had the question a number of times, what are you going to do if this area is threatened. The implication has always been that we would have to do something. The President has now said, in so many words, that this is what we would have to do.

Mr. Fountain. Because of the situations which have developed within the few years, and more recently such as in the last year, it became necessary for the President to reassert in this language the position which we have had all along.

Mr. Saunders. That is right.

SOVIET UNION'S ACTIVITIES IN WORLD

Mr. Fountain. Given the history of the Soviet attitude toward other nations of the world, and how they spend their time subverting the easy way, using other people.

Given the history of that attitude toward Hungary and Poland, and Czechoslovakia, and Finland, and a number of other areas, and their attitude in trying to sabotage the President's peace efforts in the Middle East, the efforts to even try to sabotage our negotiations over the hostage situation in Iran.

Given that whole attitude, and also toward the position they have taken time and time again in the United Nations—I am thinking of the time in 1967 when I was in the U.N. as a delegate during the June war, is there any question but that if they thought they could do it without any resistance, Russia would move into the Persian Gulf and take it over?

Mr. Saunders. I think that it is a fair assumption, but it is a big "if." If they thought they could do it without any resistance. I think the resistance would come from a large number of quarters. We are talking about the United States, the world at large, and so on. If they had a free ride, I think that they would welcome a position of this kind on the Persian Gulf.

Mr. Fountain. There is no other power, other than the United States, to assume the role of leadership, even if all of the others became involved?

Mr. Saunders. That is right. The important word there is "leadership," because I think behind us we would feel that there would be, as there has been on Afghanistan, wide support for opposition to what the Soviets have done in Afghanistan. I think the world generally is with us, but the leadership is what is important.

Mr. Fountain. If they were able to do that without knowing that they would pay for the confrontation with us, then I will say another thing that the Shah said when we had that meeting. He said, "When they do that, then don't think that the oceans are going to protect America. They will then move into your direction, and nuclear blackmail may be the first attempt."

Thank you, Mr. Chairman.

IRAQ

Mr. Hamilton. Are we seeking diplomatic relations with Iraq now?

Mr. Saunders. Our position has been that we would like to have normal diplomatic relations with all governments in the world. We are not making any especially active effort right now to establish diplomatic relations with Iraq. From time to time, we make clear to them that we are prepared to do that when they regard it as the thing to do.

Mr. Hamilton. What is the problem?

Mr. Saunders. Basically, they don't feel able to establish relations with us. I think this relates primarily to ou· position on the peace process.

OMAN

Mr. HAMILTON. Just a couple of questions about Oman. Would consider an attack on Oman as a direct threat to Saudi Arabi

Mr. SAUNDERS. The answer to that question is the same as t answer to the question on Yemen.

Mr. HAMILTON. What was that answer?

Mr. SAUNDERS. Technically, an attack on Oman is not an attack o Saudi Arabia. We would consider it obviously as a threat to th security of Saudi Arabia, if it were an effective attack. We woul undoubtedly work with the Saudis to contain it and repel it.

Mr. HAMILTON. Let me ask you about the criticisms we hear abou the situation in Oman. One is the slow pace of economic developmen and the other is the slow pace of Omanization of the army. What ha happened with regard to these problems?

Mr. TWINAM. Mr. Chairman, I think the pace of economic modernization in Oman is really pretty fast compared to where it was 1 years ago.

Mr. HAMILTON. Which was nowhere.

Mr. TWINAM. It was nowhere.

Remembering that Oman has not had a great deal of oil income, and was spending a good proportion of it for military needs. That has been ended. Since oil income has increased, there has been really very substantial economic development, starting again with a population that was uneducated, and it did take time.

The policy of the Omani Government is Omanization of the armed forces. Of course, the British have provided, in a variety of ways, much of the officer corps for the Omani forces. It is also British policy to Omanize the armed forces.

The problem here is striking a balance between maintaining an effective force and bringing on the Omani officers. That is proceeding apace.

Mr. HAMILTON. Forty percent of the armed forces have been Baluchi tribesmen. Is that right?

Mr. TWINAM. That sounds approximately correct.

Mr. HAMILTON. Is anything happening there with regard to Omanization of the armed forces? Is anything happening? That is the question. Are we going to see more Omanis in the armed forces?

Mr. TWINAM. In the ranks?

Mr. HAMILTON. Yes.

Mr. TWINAM. I would think so.

Mr. HAMILTON. Any officers?

Mr. TWINAM. I think the thrust of Omanization has been on the officer corps, and not on the ranks so much. When we talk about Omanization, we talk about moving Omani officers into the officer ranks.

Mr. HAMILTON. So we would expect to see a decline in the British officers a year from now, or 2 years from now, and more Omanis taking over?

Mr. TWINAM. I think so.

Mr. HAMILTON. Gentlemen, I think that concludes it. We appreciate it very, very much.

The subcommittee stands adjourned.

[Whereupon, at 4:15 p.m., the subcommittee adjourned, to reconvene at the call of the Chair.]

U.S. INTERESTS IN, AND POLICIES TOWARD, THE PERSIAN GULF, 1980

WEDNESDAY, APRIL 2, 1980

House of Representatives,
Committee on Foreign Affairs,
Subcommittee on Europe and the Middle East,
Washington, D.C.

The subcommittee met at 10 a.m. in room 2200, Rayburn House Office Building, Hon. Lee H. Hamilton (chairman of the subcommittee) presiding.

Mr. Hamilton. The subcommittee will come to order.

The Subcommittee on Europe and the Middle East continues its hearings today on the Carter doctrine and efforts to bolster the ability of the United States to protect its national interests in the Persian Gulf and Indian Ocean regions.

Last week, the subcommittee heard testimony from the Department of State regarding political responses to the challenges we confront in that area of the world.

Today, with the Department of Defense and the Arms Control and Disarmament Agency, we seek to explore the series of military responses which have been initiated over the last several weeks.

The subcommittee will continue its hearings later this spring with private witnesses.

We are happy to have with us today Mr. Robert Komer, Under Secretary of Defense for Policy, and Mr. James M. Montgomery, Acting Assistant Director, Weapons Evaluation and Control Bureau, Arms Control and Disarmament Agency.

Mr. Komer, I see that you also have another representative. You might introduce him, if you would, please when you begin.

You have a prepared statement. That will be entered into the record in full. You may proceed as you choose, sir.

STATEMENT OF HON. ROBERT KOMER, UNDER SECRETARY OF DEFENSE FOR POLICY, ACCOMPANIED BY LT. GEN. RICHARD LAWSON, DEPUTY DIRECTOR OF J5, JOINT CHIEFS OF STAFF

Mr. Komer. Mr. Chairman, I am accompanied by Lt. Gen. Richard Lawson who is the Deputy Director of J5 of the Joint Chiefs of Staff, the senior joint planner.

If it is all right with you and your colleagues, Mr. Chairman, I will be happy to simply submit my prepared statement for the record. I believe you already have it so we can proceed to the rest of the business. I hope you will permit me to correct later for the record one or two typos in my statement.

[Mr. Komer's prepared statement follows:]

Prepared Statement of Hon. Robert Komer, Under Secretar of Defense for Policy

Thank you very much Mr. Chairman. I appreciate the opportunity to address the question of access to military facilities in the Indian Ocean region and how such access will improve our ability to protect our vital interests there.

OUR VITAL INTERESTS IN THE REGION

Our vital interests in the region are several: First, we are vitally interested in an assured flow of oil from the region, which is crucial to the economies and well-being of both the developed and developing countries. Second, we have a long-standing interest in the security of Israel, and the President has advanced that interest substantially with the peace treaty between Egypt and Israel. Finally, we are greatly concerned for the independence of other sovereign states, and their freedom from Soviet domination.

In recognition of the threat we face and the need for a firm response, President Carter said: "Any attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America, and such an assault will be repelled by any means necessary, including military force."

OUR PRESENT AND NEAR-TERM CAPABILITIES

In support of this policy, we already have a significant presence in the Indian Ocean area. We have expanded Mideastfor (Middle East Force) which operates in or near the Persian Gulf, and we have otherwise increased our naval presence in the Indian Ocean. It at present includes two carrier battle groups.

In addition to our increased presence in the region we are developing a Rapid Deployment Force which will strengthen our capabilities to surge additional forces to the area if needed. A Rapid Deployment Joint Task Force Headquarters became operational on March 1 to oversee the use of our currently available projection forces. The RDJTF consists of force packages of varying size and structure for deployment to any region in the world. The composition of the forces deployed will vary depending on the nature and location of the crisis.

We have recently shown that we can assemble two carrier task forces in the Arabian Sea rather quickly—within a couple of weeks. We could get land-based air in even more quickly. The first aircraft could reach the region in hours, and the first wing could be operational in a matter of days. That requires access, but given a serious contingency, it is I think a reasonable assumption that we would be granted the necessary access as well as the necessary overflight and refueling priviliges.

Land forces are more difficult because they involve the movement of supporting equipment and supplies. But we do have Army units in a high degree of readiness which can, with their equipment, be lifted by air in a short time—about 1 week for a light brigade; about 2 weeks for a light division. And Marine amphibious units from outside the region could move into the region in 2 weeks or less. Support and sustaining supplies which would be required for these units if they were committed would begin moving almost immediately by sea.

These capabilities will grow steadily as our 5-year defense program is carried out. We expect to deploy to the Indian Ocean within a few months an interim shipborne pre-positioning force of seven ships with equipment and munitions for a Marine brigade plus some air. We will later buy, Congress willing, 14 new maritime pre-positioning ships and the CS airlifter to markedly upgrade our quick response capability.

THE ROLE OF REGIONAL FACILITIES

As our military policy toward the region continues to evolve, we have devised a concept of operations for U.S. forces to ensure our ability to protect vital interests. This concept of operations for our increased presence has three major components:

Routine deployments of CVBG's, MAGTF's, SCTG's and an enlarged Mideastfor (from 3 to 5 ships).

Surging larger forces into the region as needed in a contingency.

Maritime pre-positioning of stocks to avoid the need for larger U.S. land bases in the area in peacetime.

Periodic deployments of task-specific units for exercises and training, perhaps in combination with host country forces.

As you can see, this level of activity places new and enlarged demands on our ability to support regional operations.

The viability of this military policy depends critically on our access to facilities in the area. We do not seek permanent garrisons or sovereign base areas as existed in the past colonial era. Instead we are seeking cooperation with friendly states For example, we have entered into negotiations with Oman, Kenya and Somalia to expand our access to their facilities. The access rights which we seek will significantly enhance the logistic structure needed to support various levels of U.S. forces operating in the region. Logistic support is a crucial component of our military capability. Unfortunately, in the Indian Ocean, we lack the logistic facilities needed to support our military operations, especially during crises. The access negotiations aim at overcoming this shortfall by gaining us access to air- and port-reception facilities, storage facilities, and hardened logistical control facilities.

Access to facilities in several countries, as opposed to just one or two, stems from the need to increase our politico-military flexibility while building on already existing arrangements. Logistic flexibility and redundancy, especially during a crisis, is critical to ensure our ability to support a wide range of operations. The network concept which we have developed for the region is centered around Diego Garcia, where we expect to expand our facilities greatly in consultation with the United Kingdom.

In essence, we are establishing a regional network of facilities capable of supporting alternate levels of U.S. military presence while improving local states' abilities to defend themselves.

Once this infrastructure is complete, our ability to respond rapidly to contingencies will be dramatically improved. Moreover, this enhanced ability should contribute to deterrence.

WHAT HAS BEEN ACHIEVED

Access to facilities will enhance our capabilities in several ways. In order to support our routine presence we need:

To fly surveillance missions and logistic support flights; and

To be able to make ship visits for resupply, repairs, and liberty.

In order to surge forces into the area, we need:

Pre-positioned stocks of fuel and ammunition;

Maritime pre-positioning ships;

Airfield and port facilities able to receive and distribute large volumes of equipment; and

Support systems, such as water supply, for large numbers of troops who may be staged into the area.

This range of activities can only be accomplished if the United States has access to capable, regional facilities. Of course, we could try to develop a few large U.S. bases, like the one at Subic Bay, which has been our traditional way of doing business. We have not done this because a large, fixed U.S. presence, especially a base, could create political problems for the host country, and might limit our flexibility. Therefore, we have chosen to help host nations improve their facilities with the agreement that we would be able to use them as necessary for routine support, surge and exercises.

In brief, we are seeking agreement to use the following facilities:

In Oman, to use and improve their air facilities at Seeb, Thumrait and Masirah and the ports in Mutrah and Salalah (Mina Qaboos and Mina Raysut, respectively).

In Kenya, to increase U.S. air and naval use of facilities at Mombasa, Embakasi and Nanyuki.

In Somalia, the use of Berbera Airfield and Port and Mogadishu Airfield and Port for U.S. air and naval use.

Certain improvements will need to be made to some of the facilities. This will include improving runways, taxiways, and aprons; providing navigation aids, and communications; improving refueling facilities; and securing or constructing storage space. We will shortly be submitting to Congress a request for money to finance these improvements.

To support our activities, a very limited number of U.S. caretaker personnel (military or contractors) will be located in each country to handle the necessary housekeeping and support functions, ranging from 15 to 100 people.

CONCLUSION

In closing, I would like to restate the principles underlying our desire to incre access to Omani, Kenyan and Somali facilities.

First, we have increased our forces deployed in the area, are improving o capability to deploy more forces to the area rapidly, and are moving to strengthe the capabilities of states in the region.

Second, our goal is to enhance our own capabilities as well as the ability o regional states to resist direct or indirect Soviet military pressure, and thus dete Soviet threats to the region.

Finally, the military response alone will not suffice. We will need a mix o instruments: Military, political and economic. But without a firm foundatio in military potential, our political strategy would be barren. A network of regional facilities available for our use provides a key component in that military foundation.

MEANS TO REPEL SOVIET ATTACK

Mr. HAMILTON. Yes; indeed. We thank you for that, sir.

Let us begin with the statement of the President in the state o the Union address which I think you quoted in your statement a did Mr. Saunders who preceded you.

The first question: Does the United States have the means availabl today to repel a Soviet attack on the Persian Gulf?

Mr. KOMER. Yes, but it is highly scenario dependent, Mr. Chairman. What kind of a Soviet attack on the Persian Gulf? Let us take the worst case first: A massive Soviet attack involving several airborne divisions and a movement from the Caucasus, in Centeral Asia and Afghanistan down into Iraq and Iran. Our capability to cope with a situation like that today leaves a great deal to be desired.

If it were a smaller scale Soviet attack, and smaller scale scenarios are quite possible because the Soviets have to worry about what is going on in the eastern frontier in the Far East and in the western frontier in Europe, and this would be a third front for them as well as for us, we would have a greater capability.

Now I might add our capability today, while it is much better than it was 6 months ago, largely because of the presence of the maritime forces in the Indian Ocean area, will be considerably better several months from now. It will be better yet a year or two from now, and if we are funded adequately to complete our 5-year defense program that is now before the Congress, we should have a very substantial capability by 1985 or 1986.

The answer varies with the size of the threat and with the amount that we are able to do over time.

WHAT CAN WE DO IN AN EMERGENCY?

Mr. HAMILTON. Let us take the worst case situation where you have a massive attack. Spell out for us how quickly we can get how much equipment and how many people there.

Mr. KOMER. Well, that is a very long story that I will turn over to General Lawson for a more authoritative view than I can.

But let me say, again, what we can do today is scenario dependent, as well as time dependent. In other words, what we can do today.

Mr. HAMILTON. What I am trying to get at, Mr. Komer, is if the Soviets decided that they are going after the oilfields and they launched all of their power to do so, and there is no doubt about that intention, what can we do and how quickly can we do it?

Mr. **Komer.** Dick, do you want to take a crack at it?

General **Lawson.** Well, I would like to submit that to you in closed session so that we can go specifically into the details, Mr. Chairman, or I can submit it for the record, and we can properly note it in that fashion.

I would say, though, in this particular situation that we are in right here, that the Soviets, when you say "massive attack" on the part of the Soviets, the Soviets have some rather considerable problems to accomplish that massive attack themselves, and we will get significant indicators and advance warnings of that attack, and we are fairly certain of those indicators and what they might be. We have some capabilities that we can get into the area very quickly that will significantly impact upon their ability to enter into the area.

And from that standpoint, while I do not know of any military authority who would judge that we have superiority in such a situation, we can certainly make it extremely difficult from the beginning to the end in almost any scenario that we can come up with.

So that is about as far as I would like to go into it in open session, sir.

ESTIMATES ON GETTING TROOPS TO AREA

Mr. **Hamilton.** I have seen a number of estimates published in the past few months. I do not know if these figures are classified or not, frankly, and maybe you cannot testify with regard to that at all in open session. Is that what you are telling me?

General **Lawson.** That fundamentally, we try to put some broad figures in the Secretary's statement which would identify the rough parameters.

I think if you look at page 4 you can get generalized ideas. We can get into a much more specific detail either in a closed session, or by providing it for the record.

Mr. **Hamilton.** All right.

Can you respond, for example, to this question: Would you be able to get 40,000 to 50,000 troops to the Persian Gulf in a month's time?

General **Lawson.** Yes. Under certain circumstances, I believe that is possible, sir.

Mr. **Hamilton.** The Economist, the British magazine, the other day, said that a fight in the gulf is not something that the United States could win and we would merely bide time while the Americans threatened to go and hopefully the Russians halted the attack. Would you comment on that as to its accuracy?

Mr. **Komer.** I think it is probably an overstatement, Mr. Chairman. When you look at a proposition like could we not defend the oil in the Persian Gulf, one has got to take into account which oilfield. The northernmost oilfield is around Mosul in northern Iraq. The southernmost oilfield is in Oman approximately 2,000 miles away.

So it would be one thing to say we could defend all of the oil in the Persian Gulf, and it would be quite a different proposition to say, for example, that we could defend two-thirds of it.

U.S. GOAL IN AREA

Mr. **Hamilton.** Now what is our goal here? Are we seeking to be able to provide superior military power to the Soviets in this region, or are we seeking merely to maintain parity in this region?

Mr. **Komer.** That is an easy question to answer, Mr. Chairman. Our objective or goal is, of course, deterrence. We believe we could deter the Soviets if we had enough rapidly deployable strength to be able to bar them from seizing control of the bulk of the Persian Gulf oil. That may not even require, Mr. Chairman, that we have as many forces as they do since the defender's problem is somewhat different from the attacker's.

Mr. **Hamilton.** Do we have the ability to achieve that objective today?

Mr. **Komer.** Well, we are trying very hard to develop capabilities to do so and I believe this is the same question you asked me at the outset. I think that we would have a hard time doing so as completely and as effectively as we would like. After all, evidence that we do not consider our capability satisfactory at the moment is our request for $11 billion worth of additional air and sealift and maritime pre-positioning in order to put ourselves in a better position to improve our capability.

Mr. **Hamilton.** A Library of Congress study several years ago demonstrated that the United States could not seize the oilfields and sustain control and production of those oilfields. Is that a fair conclusion today?

Mr. **Komer.** If I recall that study, Mr. Chairman, it was addressed to the question of seizing the oilfields from the local owners which we have no desire to do.

What we are looking toward is simultaneously helping local states to defend their sovereignty, and our access to their oil.

COOPERATION IN AREA

Mr. **Hamilton.** Now, Secretary Saunders made quite a point of a cooperative security framework. He talked about the Carter doctrine. I might say that he did not use the phrase Carter doctrine at any point. We used it.

With whom are we cooperating over there to achieve this security?

Mr. **Komer.** Well, I am not familiar with Mr. Saunders' testimony nor am I familiar with whatever forward-policy planning the State Department may have in mind, but as we see it in Defense, it is primarily a matter of bilateral cooperation with like-minded states in that area. Neither put ing a NATO in the Persian Gulf, nor reviving CENTO, the old Baghdad Pact, or something multilateral like that, are live options.

But, of course, that situation may evolve, too, among the states in the area.

Mr. **Hamilton.** With what states would we be cooperating bilaterally on military matters?

Mr. **Komer.** We have always cooperated with Saudi Arabia. We have had a longstanding military relationship financed by FMS sales. We have also made FMS sales to Kuwait.

Mr. **Hamilton.** Let us suppose again that we got an attack of some kind from an adversary. What countries are going to join us in the fighting?

Mr. **Komer.** It depends on who is going to be attacked.

Mr. **Hamilton.** Saudi Arabia.

Mr. **Komer**. I have no doubt whatsoever that the Saudis would join us in their own defense as would probably most of the other gulf states.

Mr. **Hamilton**. Any European powers?

Mr. **Komer**. I think they might very well. Yes, sir.

COOPERATIVE SECURITY FRAMEWORK

Mr. **Hamilton**. Now, we are talking about a cooperative security framework here. Is there any agreement of that kind, or is that just your hunch?

Mr. **Komer**. At the moment, it is my hunch.

Mr. **Hamilton**. Nothing more?

Mr. **Komer**. Well, we have had some preliminary talks with the European allies, et cetera. Various European countries do have limited capabilities in the area.

Mr. **Hamilton**. When we are talking about a cooperative security framework, are we talking about only the states in the region, or are we talking about Western European allies and Japan all of whom have greater vulnerabilities than we do, as you know.

Mr. **Komer**. I think you have to ask Mr. Saunders that, Mr. Chairman, because I am not familiar with his thinking about a cooperative security framework, whether it is with a lowercase *f*. It could mean informal arrangements with a large number of countries, including Japan, Australia, and other countries in the area.

You could include Oman, Somalia, Kenya, Egypt, Sudan, et cetera, or a cooperative security framework could mean something more formal, and I am just not clear as to just what Mr. Saunders had in mind.

Mr. **Hamilton**. It does strike me that you would not.

Does the State Department go in one direction as to the cooperative security framework? Does it not consult with you?

Mr. **Komer**. That is not inconsistent. There is, apparently, some forward thinking. I say that if you are talking about the cooperative security framework with a small *f*, we are developing it through bilateral discussions with various countries in the area. If you were talking about a NATO, to my knowledge, we are not.

BEYOND BILATERAL CONSULTATIONS

Mr. **Hamilton**. So "cooperative security framework," incidentally, which is the President's terminology——

Mr. **Kromer**. Yes; indeed.

Mr. **Hamilton**. Not Mr. Saunders', is nothing more than a series of bilateral consultations, as I understand.

Mr. **Komer**. I would not just say bilateral consultations, Mr. Chairman. After all, we are negotiating right now.

Mr. **Hamilton**. What is the difference between a cooperative security framework and a series of bilateral consultations?

Mr. **Komer**. It could be bilateral interchanges between other countries so that you build up incrementally, via some kind of a building block approach, a common security understanding through staff talks about access. You build up facilities which can be used not just for the defense of the country in which the facilities are located, but for projecting power.

Mr. Hamilton. There are a lot of things that it could be, Mr. Komer. My question is: What is it?

Mr. Komer. I think you are asking the question prematurely because we are working it out, Mr. Chairman. I think if you would have asked the question about NATO in 1948 when we were trying to initiate plans, we would not have known what to say as to it.

Mr. Hamilton. As to the cooperative security framework, I assume that it is already in place, that it is not something to be initiated.

Mr. Komer. It is something we are creating.

Mr. Hamilton. Obviously, it is going to evolve.

Mr. Komer. Certainly.

Mr. Hamilton. I could understand it, but what is it today?

Mr. Komer. It is today a statement of policy about what we intend to do over time in the Indian Ocean and the Persian Gulf area. I think that that is as good a working definition as there is.

Mr. Hamilton. Mr. Findley.

Mr. Findley. Mr. Komer, have you read Newsweek magazine? I have to ask you if you had an adequate supply of blowtorches since the article refers to you as "Blowtorch Bob."

Mr. Komer. Not really.

SEALANE SECURITY SYSTEM

Mr. Findley. In the wake of the Soviet invasion, the first Soviet invasion of Czechoslovakia, NATO was created. It has been my fond hope that we would be so inspired by events in Afghanistan that we would immediately set out to construct some sort of an alliance sealane security system.

I cannot imagine that such an atmosphere would not stimulate major powers to be interested in this sort of thing. Yet, I was very distressed to hear your response to Chairman Hamilton's question because it does not appear that much is in the works which would lead to a visible formal system, an allied system to meet the Soviet threat the worldwide sealanes of communication? Can you reassure me?

Mr. Komer. No sir. I do not think I can in one sense, but I think I can in another because the situation with which we were confronted in Europe in 1948 to 1950 was quite different from the situation we confront today in the Indian Ocean and Persian Gulf area.

First, there was a common perception of the threat of the Soviets overrunning Western Europe at a time when Western Europe was flat on its back.

Mr. Findley. Does not the Muslim world see the threat as we do?

Mr. Komer. No. I was going to address that.

Second, there was a great deal more political cohesion in Western Europe. At that time, probably because they had just finished fighting a disastrous war, the political climate was ripe for the creation of an alliance like NATO with a rather elaborate structure which has grown further over the years.

You do not find that same situation in the Indian Ocean and Persian Gulf area today. For example, India's perception of what is needed is quite different from Egypt's perception. Even the states in the Persian Gulf area today, in the immediate Persian Gulf area, have differing perceptions of what ought to be done to meet the problem of overshadowing Soviet power. Iraq's perception is quite different from that of Oman as is Iran's from that of Saudi Arabia.

I would add another factor, and that is that we tried to create an alliance system in the so-called northern tier states that would provide a link between NATO and SEATO, and that would provide a security umbrella over the vulnerable Persian Gulf and Indian Ocean area. That was originally called the Baghdad Pact that later became CENTO. You remember that the key members of that were Turkey, Iran, Pakistan, and Britain. The United States was never a full member.

Well, my perception of that alliance, and I served as a member of the permanent CENTO Council when I was the Ambassador in Turkey is that it never really amounted to very much.

So we have been through the idea of creating an alliance structure, and an alliance structure will only be as viable as the willingness of its members to participate in the common defense. And you are a long way short of that, as I suggested, at present in the Indian Ocean/Persian Gulf area.

So I guess what I am saying, Mr. Findley is that the time is not yet ripe for taking a giant step, and I am not sure how soon it will be ripe. That is a candid answer.

That is similar to my inability to satisfy the chairman on the question regarding the cooperative security framework. You know, these things evolve over time. It is very difficult to see, at the present time, where you are going to be 10 years from now.

STRAIT OF HORMUZ

Mr. Findley. Would you agree that outside of a general conflict, the greatest threat to shipping through the Strait of Hormuz is the mining of the straits as opposed to sinking vessels?

Mr. Komer. Well, sir, I could answer that question better and so could General Lawson in closed session, but let me give a very generalized statement in the open session.

We have made a careful study of mining and countermining the approaches and entrance to the Persian Gulf. We think that it is not the most serious problem that we confront. We think it would be manageable.

I am not suggesting that some ships might not get sunk, but we believe that the cost of us of mining in terms of closing the Strait of Hormuz to oil traffic has been overstated.

Mr. Findley. How would you contrast that threat to the threat posed by the deliberate sinking of a vessel in the straits?

Mr. Komer. The strait is very wide and very deep. We also, having looked at that, do not believe that you can block the entrance to the strait by sinking vessels.

Mr. Findley. So, Mr. Komer, is this a fair statement, that your answer is that the mining threat is really a greater threat to the closing of the strait?

Mr. Komer. It is greater than by blocking, by sinking ships. Both threats are less serious than we originally thought they might be.

Mr. **Findley.** If there is mining of the strait by a hostile force, would we have to rely on the capability of local forces near the strait to remove those mines?

Mr. **Komer.** We would hope to do so to the extent that those capabilities are developed.

The Omanis and the Saudis are both developing minesweeping forces. The Iranians used to have a rather substantial one.

So we would rely, to a considerable extent, on the resources of the local oil countries that want to keep the strait open themselves.

Mr. **Findley.** What can you tell us as to the antimining capability of the United States in that region at the present time?

Mr. **Komer.** I would rather answer that on a classified basis if I might, Mr. Findley.

Mr. **Findley.** Is the deployment and the antimining capability in the Persian Gulf an important initial step in U.S. defense in that region?

Mr. **Komer.** Yes, sir.

Mr. **Findley.** Would you agree that the Soviet Union has vastly increased its naval capability over the past 10 years in that region?

Mr. **Komer.** Yes, sir.

U.S. POWER PROJECTION CAPABILITY

Mr. **Findley.** And that the U.S. capability has remained relatively low as compared to the Soviet position in that region?

Mr. **Komer.** That would be harder to answer.

Mr. **Findley.** What is our power projection capability?

Mr. **Komer.** Ten years ago we had very little maritime power in the Indian Ocean and the Soviets had even less. We have increased it enormously, and the Soviets have a lot more, too. So I cannot really say offhand whether our relative advantage has changed.

I will say this, that certainly, we have greater capability to project maritime power into the Indian Ocean area than the Soviets do.

Mr. **Findley.** Would you say that again?

Mr. **Komer.** We have greater relative capability to project maritime power into the Indian Ocean area than the Soviets do.

Mr. **Findley.** And that would, I am sure, virtually clear our forces in the Western Pacific. Is that correct?

Mr. **Komer.** No, sir. That would not be necessary. For example, consider our current situation. In order to maintain a two-carrier task force in the Arabian Sea, we have taken one carrier force from the Atlantic and Mediterranean area, and we have taken a second one from the Pacific which leaves two in the Pacific and leaves one in the Mediterranean.

So we have flexibility in the Indian Ocean. We can come in from both sides. We are not thinking of deployment which would denude us in the Pacific theater.

SEALANE SYSTEM VERSUS REGIONAL SECURITY SYSTEM

Mr. **Findley.** I draw a distinction between a regional security system and a sealane safety system.

A sealane safety system could be constructed in a way that it would have very few military characteristics to it.

What are we doing with major naval powers to establish in that region a sealane safety system?

Mr. **Komer.** Well, you would have to define for me what you mean by a "sealane safety system" before I could reply directly.

Mr. **Findley.** A cooperative system.

Mr. **Komer.** OK.

Mr. **Findley.** A cooperative system which would bring the military and nonmilitary resources of member states together in a fashion that would assure transit of straits, safety measures, in case of natural acts or provocations through proxy actions on behalf of Soviet interests.

Mr. **Komer.** Let me say that we are having regular discussions with the British and the French on areas of common interest to all three of us. The French, as you know, are the third largest naval power in the Indian Ocean. They maintain a very substantial squadron there and have some bases. We are, again, discussing these matters with the British.

Now there you have three important Indian Ocean maritime powers. When the Australians were here, we discussed these issues in the ANZUS meeting. Although the ANZUS area does not cover the Indian Ocean, we had some bilateral talks and, as you know, the Australians have been very forthcoming about our discussing with them the possibilities of a larger role for them in the Indian Ocean area. They are, as you know, an Indian Ocean power.

So we are proceeding to look into ways and means of having cooperative efforts out there which I think is responsive to your question.

Mr. **Findley.** Thank you, Mr. Chairman.

Mr. **Hamilton.** Mr. Rosenthal.

STATUS OF TALKS ON FACILITIES IN AREA

Mr. **Rosenthal.** Thank you, Mr. Chairman.

Mr. Komer, on page 6 you indicate: "We have entered into negotiations with Oman, Kenya, and Somalia to expand our access to their facilities." And then you continue to say: "Logistic support is a crucial component of our military capability."

On page 8 you reiterate: "This range of activities can only be accomplished if the United States has access to capable, regional facilities."

Can you tell us, as a matter of fact, what the status is of these negotiations in each of these three countries?

Mr. **Komer.** No; I cannot in open session. They are ongoing negotiations. We would be happy to discuss them in closed session.

Mr. **Rosenthal.** Within the parameters of the limitation which I understand, are you feeling upbeat about those negotiations, or depressed? How would you say they are going?

Mr. **Komer.** That is a fair question. I am feeling upbeat about them.

In fact, they are proceeding surprisingly well when you think of where we stood as recently as 3 months ago.

Mr. **Rosenthal.** I have seen a story recently about a setback in some one or more of these countries' negotiations.

Mr. **Komer.** I think I know the article to which you are referring. We have run into the usual problems of detailed negotiation about such things as the status of forces, customs, and whether we should send in equipment to upgrade their airfield and not be charged customs charges on it, and a whole slew of other detailed matters that have to be worked out when you have a facility arrangement involving U.S. Government funds.

Now, I think that it will take us a couple of months before we work all of those details out, but that is quite different from the overall degree of understanding that we think we have reached at the political level with these three countries.

Mr. ROSENTHAL. At the political level of each of these three countries there seems to be a willingness and a desire to be cooperative in the area?

Mr. KOMER. Yes. Within the limits that they have imposed which is to allow us access to their facilities. There is no discussion about building U.S. bases in the area.

We are talking about upgrading some of their airport facilities, some of their airfields, maybe some warehouses, fuel storage, things like that. And with respect to that, we are reasonably happy.

EVOLUTION OF POLICY

Mr. ROSENTHAL. Could you tell us with respect to this buildup of forces in the Persian Gulf and in the Indian Ocean and the development and the use of bases in these areas, is that all pursuant to a specific Presidential directive, or how does that policy evolve, if you could tell us.

Mr. KOMER. Well, Congressman Rosenthal, I have been around in the policy business for a long time, and it is evolving the way most policies evolve.

There were looming emergencies. First, there was the chaos in Iran, the taking of our hostages. Second, there was the Soviet invasion of Afghanistan which gave a big push to what had previously been a fairly long-term policy of building up our capability in the area against what we had thought was a rather longer range threat.

So I would say that the great speeding up of our policy formulation and our development of facilities and search capability in that area is primarily a response to the events in Iran and Afghanistan.

Mr. ROSENTHAL. In other words, my question, and I think you have pretty much answered it, from the Defense Department's point of view, you had these long-range objectives long before Iran and Afghanistan, but they had not reached a high priority for the attention of the people at the top of the heap.

Mr. KOMER. I think that a pretty good way to put it is that we are always competing for scarce dollars. We have to make decisions on priorities ourselves. Then other decisions get made as to how the defense budget should fit into the overall budget.

Those decisions are made by the President on the advice of the OMB or the Congress, and the Congress makes yet other decisions. Let me give you an example. Our original program, about a year ago to upgrade Diego Garcia, was very small. Then in the fiscal 1981 budget, which was prepared before Iran and Afghanistan, we increased our proposal to $141 million. Now we are looking at yet further improvements to Diego Garcia which might cost about $300 or $400 million, each of these figures being cumulative.

So you can see that what we have done is to greatly accelerate our plans for the buildup of our one real base in the Indian Ocean area. Of course, in cooperation with the British.

ROLE OF EUROPEANS

Mr. **Rosenthal**. Mr. Findley initiated this, and it is hard for us to understand, we really do not know where the Europeans are in all of this. I mean, you know, you tend to defer that to the State Department folks, but do you have any personal views, your own views, based on your own experience in collective organizations and during your stay in Turkey? Do the Europeans seem at all interested in what we are doing?

Mr. **Komer**. They are greatly interested. I would say that the Europeans clearly perceive that they are even more dependent on Middle East oil than the United States.

Mr. **Rosenthal**. How do they show it, or exhibit it either to themselves or to us?

Mr. **Komer**. Well, what I meant by the State Department handling the political side of this problem is that when you talk about the European political and economic response to the invasion of Afghanistan or the chaos in Iran, that is really the State Department's business rather than DOD's.

Mr. **Rosenthal**. Right.

Mr. **Komer**. When you talk about military response, you have to take one fact into account: Britain withdrew 10 years ago from the area of east of the Suez. Of course, the French have a limited capability in the area, but aside from those two, there is very little European ability to project forces into the Indian Ocean to help defend the oil on which they are admittedly highly dependent.

Mr. **Rosenthal**. Even though the fundamental lifeline of their forces there is far more dependent.

Mr. **Komer**. Yes, sir. And I would say that the same applies to Japan which is more dependent, as I think Foreign Minister Okita pointed out when he was here just a few days ago. However, for constitutional and other reasons, Japan would not be able to participate.

ASIAN INVOLVEMENT

Mr. **Rosenthal**. We can't deal with Japan in that equation with their severe constitutional and treaty limitations. That does not apply to France or England.

Mr. **Komer**. That is true.

Mr. **Rosenthal**. They want us to defend their lifeline because they do not have the capacity or the political resources to proceed. Is that a fair statement?

Mr. **Komer**. Yes. You ask a good question, and I will give you the answer: The Defense Department feels that this is the way to go. There is no doubt in our mind that our allies, and I insist our Asian allies as well as our European allies, are at least as dependent on Middle East oil as we are.

Mr. **Rosenthal**. Which of the Asian allies is as dependent on Middle East oil?

Mr. **Komer.** Japan.

Mr. **Rosenthal.** Japan is limited by treaty limitations. They cannot participate.

Mr. **Komer.** Wait, Mr. Rosenthal. Wait a second. Just wait until I finish because I think you will agree with the proposition that I am going to advance.

Our belief is that there should be a strategic division of labor to the extent that the United States must assume, on behalf of the entire Western world, greater deterrent and defense responsibilities in an area where, in fact, only the United States has the strategic capability to do so.

But then we are entitled to ask our Asian and European allies to do relatively more for the defense of Northeast Asia and Western Europe. If Japan does more for its own defense, its own home defense which is, of course, within its constitutional prerogative, that would, in turn, permit the United States to do more in the Indian Ocean and in other areas.

Mr. **Rosenthal.** Are those negotiations to achieve that end proceeding?

Mr. **Komer.** Yes, sir.

Mr. **Rosenthal.** Do you expect any important announcement on the morning of April 22?

Mr. **Komer.** What is April 22?

Mr. **Rosenthal.** That is the date of the primary. [Laughter.]

Mr. **Komer.** I guess my question showed my ignorance. [Laughter.]

Mr. **Rosenthal.** Thank you, Mr. Chairman.

BASES VERSUS FACILITIES

Mr. **Hamilton.** Mr. Komer, with regard to those facilities that we are seeking in this Persian Gulf and Indian Ocean area, you and other witnesses have laid quite a bit of stress on the fact that we are seeking only facilities, not bases.

What is the importance of that distinction?

Does it obviate, for example, the need for a treaty?

Why do you insist on the use of the word "facilities"?

And then I will ask you after that: What are the facilities?

Mr. **Komer.** We think that that is a very meaningful distinction, Mr. Chairman. As a part of the decolonization process that gathered a great deal of steam after World War II, most of the European bases were gradually relinquished as was the base at Singapore. We, at one time, had a base or two in the area. Of course, we had a base at Dhahran throughout the 1950's, and we had a base at Wheelus in Libya.

The British, of course, had bases in Egypt, and it seemed to us that those bases were a political liability even though they might be military assets. Under the present circumstances, given the national system and the sensitivities of the nations in the area, that it would not be politically wise for us to seek formal bases of the sort we had in the fifties where we were flying the American flag with thousands of troops, American troops present.

Also, as a result of our studies, it became clear to us that as far as having a surge of forces deployed rapidly into the area was concerned, that we did not need to have so many American troops and forces deployed, except, however, at sea, where the carriers give you unique flexibility.

Third, and not unimportant, overseas bases are exceedingly expensive, especially with the dollar down and other currencies up. Therefore, we felt that it would be much more cost effective, from the viewpoint of the Department of Defense, if we sought to help the local countries build up the kinds of facilities we would need for a surge, without permanently stationing major U.S. forces in the area.

Now that is dependent, of course, on two things. It is dependent upon our surge capability, our ability to get out there fast and on access to the facilities. I am going to have to describe that at least in general terms.

First of all, we want to pre-position equipment in that area flexibly without having it tied down at U.S. bases. That is what makes the concept of the mobile maritime pre-positioning so attractive. Eventually we want to buy 14 such ships.

It seems to us that what we can do in the Middle East, as opposed to Europe, is pre-position the equipment in the ships, and then we will fly the troops out by passenger aircraft. We will marry them up with equipment by pre-positioning the ship. We are leasing them right now, and then we will buy some which are specially designed. Now, this gives us a great deal more flexibility out in the Indian Ocean.

After all, Europe is a relatively small space, a finite space fought over for centuries. There are few axes of attack. Attack routes are dictated by geography. We can pre-position on land relatively close to where we will have to fight. But in the Indian Ocean area, conflicts might be 5,000 miles apart. It seems to us that maritime pre-positioning, putting it on ships that can sail to the area of threat, is a great deal more flexible.

MILITARY CONSTRUCTION AND PERSONNEL NEEDS

Mr. HAMILTON. Now, what are we going to be building in these facilities?

Can you comment on what kind of construction you anticipate? Comment also on the personnel that would be permanently there.

Mr. KOMER. Let me try to do this in very general terms, and we can go into greater detail in a closed session. Also, General Lawson would like to add on because he was part of the first negotiating group that went out there.

Mr. HAMILTON. Just as a practical matter, I think what we will probably do is submit to you some questions after your testimony calling for specific answers, and you can classify them as you choose.[1]

Mr. KOMER. Excellent. Excellent.

Mr. HAMILTON. Obviously, we understand that some information cannot be made public. Perhaps you can comment now on the personnel needed for the construction that you see.

Mr. KOMER. First of all, we foresee surveillance.

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[1] See app. 3, p. 406.

To provide that safety at sea about which Congressman Findley was talking, we have to have places for our P–3 aircraft to land. You know, they are land-based aircraft even though they fly maritime missions. Simply allowing us to land frequently at local airports is an enormous advantage to us.

If some of those local airports lack adequate landing lights or navigation systems, it would be advantageous to us to improve their safety and their capability.

It may also be desirable to store fuel there, although not necessarily for the P–3 flights.

During a surge having such things as airfields and adequate water supplies available would be very advantageous.

Some of these airfields, like the one on Masiran Island are very low on water supplies, while the port facility there needs improvement.

This is the sort of thing which the Kenyan Government is interested in with respect to Mombasa, improving the capability of its own economic infrastructure at its ports and airfields. Such improvements also serve our purposes. That would be the kind of facility at which we would look.

Now at the moment, we are looking primarily and negotiating primarily about this sort of facility.

Further on down the pike we might want to talk with certain countries about pre-positioning some equipment, although not necessarily weapons. For example if we were to move U.S. forces into an area, into a country with the consent of that country, one of the critical problems would be the handling of materials. Handling equipment, such as forklifts, are needed to unload things from the airlift and from the sealift.

We might, therefore, want to pre-position some forklifts in the country so that we would not have to fly the forklifts out from the United States when we were beginning a surge.

In some cases at some of the airfields the runways are too light for heavy aircraft like the C–5. So we may invest some money, with the agreement of the local country, to improve the loadbearing capacity of the runway.

Mr. HAMILTON. Now, with regard to people, are we talking about a few dozen, a few hundred, or a few thousand?

Mr. KOMER. In each country, we are talking about minimal numbers. In the terms that you have expressed, we are talking about a few dozen or, at most, several dozen rather than a few hundred.

Mr. HAMILTON. Mr. Findley.

ROLE OF ALLIES

Mr. FINDLEY. Mr. Komer, I have concern about three different things, and I will welcome your detailed response. First of all, what you said to Mr. Rosenthal troubles me.

It appears that the approach of the administration is to enlarge our own capability in the Persian Gulf and in the Indian Ocean area and expect our major allies to cooperate not in that region but in Western and Northern defense responsibilities.

Mr. KOMER. No. Let me say that I never got really a chance to finish answering Mr. Rosenthal.

We would like our allies and expect our allies to do some things in the area as well as outside of the area.

I was talking primarily about military responses, and in these contingencies their capability to provide assistance would be limited; but we nonetheless want them to provide all the assistance they can in the common interest.

Moreover, in peacetime, we would expect our European and Asian allies to join us in providing economic and, if possible, military assistance to these countries.

For example, the Germans are planning to greatly increase the amount of military assistance they give to Turkey.

As you know, we have certain political inhibitions on our own ability to do so.

The Japanese, for example, have more than doubled their economic aid offer to Pakistan and remember that, in many respects, economic aid is fungible, and if you provide economic aid to a country, they can turn around and are more able to buy military equipment from somebody else.

So there are a lot of things that are going on, and there are a lot of things and a lot of ways in which we are counting on the allies to join us.

It is not a proposition where, basically, we will do everything, and they will do nothing in the area on the basis of a division of effort.

For example, in Oman, we should have very few people, while the British have about 75 seconded officers in the Sultan's Armed Forces. For instance the Chief of Staff of the Omani Armed Forces is British.

So, you know, the European allies are not without capability in the area, or without a desire to participate. It is just that when you start talking about what really is a worse case if we got engaged with the Soviets in the area, it is simply a fact of strategic life that the United States would have to bear the main burden of that response.

REACTION TO UNILATERAL ACTION

Mr. **Findley**. The weakness in this whole approach, and I am reassured, to some extent, by what you say, but I think the weakness in what I perceive to be the administration's approach is that I do not believe you have really taken into full account the attitude of the American people on a major unilateral military operation in the Persian Gulf/Indian Ocean area.

I think there would be enormous public resistance to the United States getting involved all by itself in meeting a Soviet threat whereas their attitude would change enormously if we do so in company with other traditional allies, or other allies of that region.

I really believe that the administration is making a serious error in not concentrating more heavily on getting the assurance of allied support from the first moment. No matter how the forces might balance out, I think it is absolutely essential that the citizens of this country realize that we will have support and men at our side from other nations in any fighting that might ensue. I think that our position in that region would be much stronger if we approach it from that standpoint.

Mr. **Komer**. I take your point, Mr. Findley.

Let me say that we are actively working on that problem, though I will not confess to error. I was simply trying to say that if it came to a major fracas, inevitably, the larger share of the burden would have to be borne by the Americans. But we would not be alone.

I think as the Secretary of Defense said, and, I believe, as the President also said, we count on and expect allied participation, and that would not just be allied economic participation.

PRE-POSITIONING STRATEGY

Mr. **Findley**. I hope we can reinforce that. I am also concerned about the pre-positioning strategy.

Here we are talking about pre-positioning in Somalia and Oman whereas we have, I think, much more logical places for pre-positioning in Egypt and Turkey. I think we have taken a weak route there. We do not have the long tradition or, at least, the depth of tradition with Somalia and Oman that would lend itself to any sustained cooperation.

I think our positioning of our forces and our equipment might be very tenuous in those countries, and I am troubled by that.

I am also troubled by what would seem to be our reliance on the 82d Airborne, the heavy reliance on that. In the event of trouble with the Soviet Union, that is a division that seems to be without much armored support.

Would you comment on these two points?

Mr. **Komer**. Yes, sir. I would be happy to.

I do not think that you need be unduly concerned about our pre-positioning large amounts of equipment in Somalia and Kenya. That is not part of our current planning.

As I indicated to the chairman, we expect to pre-position the bulk of our military equipment on ships under the maritime pre-positioning concept.

However, to the extent that we did pre-position on land I would agree with you that pre-positioning farther north in other areas would be militarily preferable.

At the moment, the Turks are absolutely adamant about not getting involved in Middle East contingencies.

They regard their reciprocal relations with us to extend strictly to NATO. That may change over time, but at the moment, that is not a live option.

With respect to Egypt, President Sadat's very generous offers present some interesting possibilities. But as you know, equipment pre-positioned in Egypt would still be 1,000 miles from the Persian Gulf.

Mr. **Findley**. It is 2,000. Diego Garcia, of course, is.

Mr. **Komer**. Yes; but of course, by sea, we can start moving the ships 2, 3 weeks in advance. At any rate, you do not have two jumps to make as opposed to one, but I take your point. We are looking at all sorts of possibilities, particularly in response to President Sadat's generous offers, but currently we are planning to pre-position mostly on shipboard.

Now, as to the 82d Airborne, you are absolutely right.

It has the great advantage of strategic mobility and tactical mobility but it is a light division, very light, the lightest division we have got.

So if it comes up against Soviet armor or Iraqi armor or Iranian armor, or somebody's armor, it is going to have a problem.

On the other hand, there are missions where it might not be so likely to come up against enemy armor, or where it would go in first and quickly be supported by, let us say, a Marine brigade using the equipment pre-positioned on those ships that we are leasing right now. That equipment will include armor. So we would envision supporting the 82d Airborne extensively with heavier units as soon as possible. So you have a tradeoff there. It can get there terribly fast, but it is not heavy enough.

Other forces can get there that are heavier, but they are not fast enough.

Is that a fair answer?

Dick, would you like to comment?

General LAWSON. Very good.

Mr. FINDLEY. Mr. Chairman, I appreciate your indulgence.

I want to say that I was inspired to raise that question about the 82d Airborne after reading the London journal, the Economist's appraisal of our ability to undertake a military operation in that region, and in that editorial, the Economist concluded that a fight in the Persian Gulf is not something that the United States could win.

Mr. HAMILTON. Mr. Pease.

USE OF MILITARY FORCE

Mr. PEASE. Thank you very much, Mr. Chairman. I will be brief.

Mr. Komer. I am sorry that I was not here for your testimony. I have been reading through it and find it interesting and, I must say, reassuring.

I am interested in the quotation from President Carter's speech that you have repeated in your testimony:

> Any attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault of the vital interests of the United States of America, and such assault will be repelled by any means necessary, including military force.

Has that quote been subject to any revision since it was uttered?

Mr. KOMER. No, sir.

Mr. PEASE. Are we to take that literallly, that a military operation against, say, Saudi Arabia or North Yemen would result in military action on our part?

Mr. KOMER. No, sir.

"Any outside force" meant any other power external to the region. In other words, we are not planning to go and fight Saudi Arabia, but we are planning to go and defend Saudi Arabia if it is attacked by some outside force.

Mr. PEASE. So if Iraq invades Saudi Arabia, or if South Yemen invades Saudi Arabia, we would not be involved?

Mr. KOMER. We might be. Our decision would depend on many variables.

For example, there could be ambiguous situations such as a radical increase in the number of so-called Soviet, East German, or Cuban advisers in the People's Democratic Republic of Yemen followed by an attack on Oman, North Yemen, or Saudi Arabia. Such ambiguities cannot be adequately explained, explained in a single sentence, or in a paragraph. But the intent of the President's statement is perfectly clear.

Mr. Pease. Would then a definition of any outside force extend, to your knowledge, beyond the Soviet Union and Cuba?

Mr. Komer. I cannot think of any at the moment, but it could.

OBJECT OF PRESIDENT'S POLICY

Mr. Pease. OK. As I go around my district and talk with people about the President's call for registration, I find that most of the young people are not terribly upset and opposed. However, there are a number of young people who say: "We do not want to go to war in order to defend our dependence upon Middle Eastern oil."

Is that an oversimplification?

Is President Carter's Middle East doctrine, the Persian Gulf doctrine, really directed toward securing a continued supply of Middle Eastern oil for the United States?

Mr. Komer. Of course it is, yes, for the United States and for the free world because other countries, as we discussed earlier, are even more dependent on oil from the Middle East than we are.

We have large sources of oil at home and in the Western Hemisphere, but the Europeans get much more of their energy from the Middle East. The Japanese get even more than the Europeans, but we must not ignore many of the less developed countries.

Brazil is highly dependent. Korea is highly dependent. Turkey is highly dependent. Egypt less so, but still somewhat dependent.

So you find that it is not just a matter of the United States but the entire free world which is, for the time being, highly dependent upon crude oil that comes from the Middle East.

Beyond that, I think it is very important to emphasize how the lack of availability of such oil would catastrophically affect the economies of the entire Western World.

Mr. Pease. Well, I guess I read you then as saying that access to Middle Eastern oil would justify the use of U.S. military forces in the Persian Gulf.

Mr. Komer. I think that is what the President said.

Mr. Pease. I think my constituents who are upset would be even less willing to go to war to protect the oil supplies for Europe or Brazil or another country than they would be for the United States.

Inasmuch as we get, what, maybe 20 percent of our total oil supply from the Persian Gulf, would that be about right?

Mr. Komer. Last year it was about 15 percent.

Mr. Pease. Then as I understand, the President's doctrine is that we would be willing to commit U.S. military people to armed conflict in Saudi Arabia, for example, in order to maintain that 15-percent supply of oil for our economy.

Mr. Komer. No. It is much more than that, Congressman Pease.

NEED FOR OIL AND ALLIES

It is not just a matter of doing without some oil. It is a matter of catastrophic impact on the economies and, therefore, on the security of our allies, and consequently our own security.

of our allies, and, consequently, our own security.

I mean it would have an absolutely catastrophic impact on Western Europe if it were cut off from Middle East oil.

The problem is not just the gulf. Defending the Middle East is really a worldwide problem, since oil is the jugular vein of the Western alliance.

Mr. PEASE. Is there then a German doctrine, or a French doctrine comparable to ours which says that French or German troops would be used to repel an attack on the Persian Gulf?

Mr. KOMER. No; there is not, Mr. Pease, but once again, the fact of life is that a French or German doctrine of that sort would not be terribly credible because the Germans and the French have only very limited capability to deter Soviet action in the Middle East.

Mr. PEASE. Then the bottom line seems to be that in losing 15 percent of our oil supplies or 20 percent, that would not be catastrophic to us, but losing 90 percent or more oil would be catastrophic to Western Europe and, therefore, essentially, we are promising to commit American troops to ground warfare with the Soviet Union in the Persian Gulf in order to protect the oil supply of Western Europe.

Is that a fair statement?

Mr. KOMER. In order to protect the very economic survival and security of Western Europe and Japan and Turkey and Korea and a large number of other countries that are associated with us in one way or another, not just Western Europe.

Mr. PEASE. Would you say that our allies like Japan and Germany and, especially, France, who come to mind, are properly cognizant and appreciative of this sacrifice that we are willing to make on behalf of their economies?

Mr. KOMER. I think they are aware of it. I would hope that they would be suitably appreciative.

Mr. PEASE. Have you spoken to the French in talking about that?

Mr. KOMER. No, sir, I have not.

Mr. PEASE. About that role we are playing?

Mr. KOMER. No, sir. We have not.

RAPID DEPLOYMENT CAPABILITY

Mr. PEASE. I have one more question on the rapid deployment capability. You are relatively sanguine about our ability now and over the next several years to develop an ability to respond rapidly to a military threat in the Persian Gulf area.

Mr. KOMER. As long as you put it that way, yes, I am sanguine about our ability, if Congress funds it, to develop a credible deterrent and defense capability in the Persian Gulf area.

I am not terribly sanguine, as I indicated at the opening of my testimony in response to questions from the chairman, about our present capability.

Mr. PEASE. I was going to say that if you are saying that your sanguinity is dependent upon congressional appropriations, this implies that Congress has to authorize the money, and then appropriate the money, and then the contracts have to be let and R. & D. done and construction begun and so on.

About how long a period are we talking before we will have, in your view, a credible rapid deployment force?

Mr. Komer. Well, sir, we are looking at some quick fixes, some of which are already underway. For example, we have already signed the lease for RoRo ships to pre-position some equipment for a Marine brigade and some additional Air Force equipment right now in the Indian Ocean.

We expect to have those ships out there by midsummer, and that will substantially improve our capability.

We are already negotiating with various countries for access rights and facilities which will further improve our ability to surge forces from this area—from the United States, I should say, or other areas, for that matter.

We are developing plans and programs for quick response, employing amphibious forces which we already have in the Mediterranean and in the Far East. So we do have a capability to respond to a threat, and we are increasing that.

So I would say that as soon as 6 months from now our capability will be significantly greater than it is today although still not, in my judgment, adequate. You then go on to what we have in the 5-year defense program: To buy the CX Airlifter and to buy the 14 maritime pre-positioning ships.

To sum it all up, my own judgment would be that by 1985, 1986, we will have a very respectable deterrent capability in the area, and our allies will have more capability as well.

Mr. Pease. You are talking about a 5-year program, and you are talking about quick fixes to take care of things right now.

From your discussions and other things that I have read, I have the strong impression that at the time of the invasion of Afghanistan by the Soviet Union which has touched off all of these quick-fix procedures, we did not have any fix at all, and it leads me to wonder what sort of planning went on 5 years ago or 6 years ago, and why we did not anticipate that there might be a need for rapid deployment of our forces to the Persian Gulf or to other troublespots around the world.

Mr. Komer. That is a good question, Mr. Pease, but I think the implication is a little unfair.

As I pointed out earlier in my testimony, the two things on which we intend to spend the most money over the next 5 years are the CX Airlifter and the maritime pre-positioning ships. Both of these major items, I believe, come to upward of $11 billion over the next 5 years—is that about right, Dick?

General Lawson. Yes, sir.

EVOLUTION OF CAPABILITY

Mr. Komer. Both of these items were in our fiscal 1981 budget, before Iran and before Afghanistan.

Now, the quick fixes did come in afterward, but they are very modest compared to the very substantial amounts that we had requested before the recent events to provide us with a surge capability in this area.

Now, you can ask why during the years since World War II when the Western dependence on Middle East oil was a pretty well-known phenomenon we did not program more defense resources for this area of the world. The answer is very simply; in the early post-World War II years, we relied primarily on our allies, the British, in particular, who were the chief guarantors of security east of Suez.

As the British withdrew, we set up an alliance in the so-called Northern Tier, the Baghdad Pact which became the CENTO alliance. In the wake of the Iranian Revolution, the CENTO alliance collapsed creating a security vacuum which the United States must fill.

If you would like me to confess as to whether I think we were a little slow up until a year ago in thinking about filling it, I will tell you that I completely agree with you.

Indeed, I was the one who, back in 1962, went to President Kennedy urging at least a base structure in the Indian Ocean which I considered a major strategic area where the United States had only a maritime projection capability. As a result of those discussions when I was just a staff officer, came President Kennedy's decision which led to our joint base with the British at Diego Garcia. We signed that agreement in 1966.

So I am one who can say to you that I feel we were a little slow. All I can say in our defense is that we thought we had a lot more serious problems at the time in Korea, in Southeast Asia so that this area tended to be neglected.

Mr. **Pease**. Thank you, Mr. Chairman.

Mr. **Hamilton**. Mr. Winn.

PRE-POSITIONING AND AIRCRAFT

Mr. **Winn**. On page 4 you refer a couple of times to recent prepositioning plans: "We will later buy, Congress willing, 14 new maritime pre-positioning ships and the CX Airlifter." That is part of your proposal. The Armed Services Committee shut that down. They did not fund it.

Mr. **Komer**. Yes, sir.

Mr. **Winn**. You do not have a team there.

Mr. **Komer**. No, sir.

Mr. **Winn**. What you are going to do is try to get that back.

Mr. **Komer**. Yes; we would hope that Congress, in their wisdom, would change its mind on that. We think we desperately need a mix of sea and airlift.

As I recall the testimony and the colloquy that went on with the House Armed Services Committee, I think we made a very good case for the need for that midsized airlifter.

Mr. **Winn**. You also say on page 3 of your statement, and I think it is just the way that it is framed, that "The first aircraft could reach the region in hours."

You are not saying just one aircraft, are you?

Mr. **Komer**. No, sir. We are really talking about the first squadron of aircraft. Right Dick?

General **Lawson**. Yes.

Mr. **Winn**. So you could get a squadron of aircraft there within the region in a few hours.

Mr. **Komer**. Yes, sir.

Mr. **Winn**. In how many hours?

General **Lawson**. We think in the first 2 to 4 days. We could have a squadron in the region in the first 3 days. We could have a wing in certain particular areas there along with a wing capability which will give us the ability not only to have a significant air capability but if need be, an air-ground capability that is directed professionally from the airways.

Mr. KOMER. Of course, you have got maritime capability there right now in the area on two carriers.

SOVIET PRESENCE IN REGION

. Mr. WINN. OK. Let us talk sort of in depth, if we can, about the Soviet Union, the current Soviet presence in the Indian Ocean. Let us talk about the Soviet Union and its presence in the Indian Ocean. Any of you can answer, or several of you can answer this.

First, why, people wonder, has the presence increased since the United States has increased its own presence there?

Mr. KOMER. Yes, sir. It has.

Dick, do you have some of the details?

General LAWSON. Well, I have some. I would like to go into that in closed session, or supply that for the record for you, Mr. Winn.[1]

But yes, sir, it has increased since our own increase in the area.

Mr. WINN. Can you tell us?

Mr. HAMILTON. Why wouldn't you go on record when the Soviets know how much equipment they have out there?

Mr. KOMER. They may not know the full capability of our equipment out there.

Mr. HAMILTON. That is not the question. The question is how much the Soviets have there.

Mr. WINN. How much do the Soviets have there?

General LAWSON. Well, there are some forces into the area that I am not sure the Soviets do know that we know that they are there and, for that reason, I think it is probably appropriate that we go into closed session, sir.

Mr. WINN. Maybe we can reword it then. What is the role that the Soviet Union is playing there today?

General LAWSON. The Soviet Union has a force structure there that is capable of doing a lot of monitoring. They have a significant number of monitor ships which monitor electronically activity throughout the area, communicational activity throughout the area.

They have a force there that is capable of providing surface combatant strength in the area, and by "surface combatant strength" I mean movement up through the area and cruiser capability on their part, that to date, they have not yet brought their aircraft carrier into the area. That is, that is assigned to the Pacific.

There was some movement on their part of some of their marine amphibious forces to the south out of Vladivostok, but that force has not been moved directly into the area where the rest of the forces in the area support ships of various types.

POSSIBLE CHANGES IN SOVIET ROLE

Mr. WINN. Now, has this role that they are playing now changed from the role that their navy played prior to their invasion of Afghanistan?

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[1] See p. 90.

General **Lawson**. I think, primarily, that the Soviet forces in the area now are different only in numbers and in the type of ships that are there.

Every one of the ships that they have there now has been there before, but never all together at one time in one force.

Mr. **Winn**. So they are playing a different role than they were before the invasion.

General **Lawson**. They have a more collective force than they did before. Yes, sir.

Mr. **Winn**. Let us talk about the ports and bases that they operate out of. What bases do they have for the Indian Ocean and Persian Gulf area if there are more ships there?

General **Lawson**. Well.

Mr. **Winn**. From where are they coming?

General **Lawson**. They have, of course, a significant support capability in South Yemen at Aden which they have used on several occasions.

Mr. **Winn**. Have they been improving that over the past couple of years?

General **Lawson**. Yes. No question about that.

Mr. **Winn**. Where have they made improvement?

General **Lawson**. They have made a significant increase. They have made some increases in ports along the Ethiopian coast.

As you know, they also did some work some time ago in Somalia which has now been utilized. We are looking at the utilization of the ports that they have built to a degree there and the harbors.

They have additional capacity that they use just from the port call standpoint up and down that area. They have Naples and Pakistan as well as India port calls.

U.S. REACTION TO SOVIET MOVES

Mr. **Winn**. When they start improving these ports and harbors and things, what is our reaction? For what do we think they are doing it?

General **Lawson**. I think you can make that sort of case, Mr. Winn, on a worldwide basis. It is a function of the evolution of the Soviet Navy from what one would term a "green water Navy" to a worldwide "blue water Navy."

And I think we can anticipate something more, and more port construction and more activity on their part on a worldwide basis as the size of their Navy increases, and it is quite capable to not only extend itself from a power projection standpoint but to support itself in the open sea.

Mr. **Winn**. After we analyze that, what do we do about it?

General **Lawson**. We do the kind of thing that we are over here talking about.

From a facility standpoint now, we are developing the opportunity for our forces to utilize a great number of facilities in as many countries of the area as we can, not developing our own facilities per se but the idea of joint use with the host nation on a much more extensive basis than we ever had before, and I think we will have to use those facilities as much as we can.

I think that the ability on our part to project forces much more broadly and much more rapidly to a greater number of places will tend to slow down the Soviet's extension of their own capability.

EFFECT OF U.S. INITIATIVES

Mr. WINN. OK. That leads me into another phase of it. I am sure this will be in your answer. I am sorry that I was late, but I heard a discussion about Oman.

Once you have secured access to the facilities in Oman, Kenya, and Somalia, will the United States then be able to beat the Soviets, say, to the gulf?

General LAWSON. Well, I think that as to what we are after there are two things. First and foremost, as I said, we want to create a situation where the Soviets have a very great number of grave problems to think about before they extend themselves into the gulf area.

It is no secret that the perimeter immediately adjacent to the Soviet Union is 10,000 or so miles from the United States of America. So our plan is to cut that extension time by every means that we can, prepositioning to a degree, some packaging of crucial heavy types of stores, POL, munitions throughout the area so that our problem then can be one that we can solve as rapidly as possible with airlift, an airlift of troops to the pre-positioned equipment and mating them up as quickly as possible with munitions and POL.

Under that kind of circumstances and given the flexible area that we have adjacent to the area, I believe that we can get into the area, we can get in there fast enough to slow down the offensive, even appease the original offensive action, thereby providing us with the time that is needed to deploy in the area and to assume the brunt of whatever offensive operation they would take.

I know, were I on his side and were I the planner, I would have a very difficult time, given the structure that he has today, of advocating a serious offensive operation.

His airlift is not yet to the point where he can get in there fast enough. His tactical aircraft still have legs that are not as long as they should be if they are going to be extended south from the Transcaucasus in a massive area to guarantee him the kind of support that he would want.

And I think we can say to you that once we get these facilities, we will have the ability to successfully combat the kind of threat that we see evolving.

POSSIBLE THREAT TO B-52 BOMBERS

Mr. WINN. Well, one thing that seems so very simple to me: It gives us a disadvantage.

Will there not be a threat to the United States B-52's that are flying over Somalia by the Migs, the Russian Migs that are in Ethiopia?

General LAWSON. We have looked at the B-52 operations out of Somalia. I would think, Mr. Winn, that we would position those B-52's out of the range of any threat by aircraft in any particular area. There has been some discussion, I know, that B-52 operations might be considered. Before we did that, we would make sure that we had the air cover for those B-52's.

Mr. WINN. Would we not be better off if we had the B-1 bomber?

General LAWSON. Well, I think the B-1 bomber probably would have a penetration capability that is better than the B-52's.

In the particular area that we are looking at, I would guess that we would probably be successful in using the B–52 for whatever operation we might want to use it.

Mr. WINN. The President has cut out the B–1 bomber.

Mr. KOMER. Let me answer that. I just do not see any requirement for the B–1 bomber for conventional contingency operations in the Indian Ocean.

We designed the bomber for a nuclear retaliatory attack on the Soviet Union, not for the purpose of conventional interdiction operations in the Middle East.

Is that not a fair statement?

General LAWSON. Yes.

Mr. WINN. Psychologically, I think there would be all the difference in the world were the B–1 bomber available rather than just the B–52.

Thank you, Mr. Chairman.

STATUS OF ARMS CONTROL EFFORTS

Mr. HAMILTON. Mr. Montgomery, are the arms control efforts in the Indian Ocean now dead?

STATEMENT OF JAMES M. MONGOMERY, COUNSELOR, U.S. ARMS CONTROL AND DISARMAMENT AGENCY

Mr. MONTGOMERY. The last formal negotiations were in February of 1978. We had difficulties, at the time, with other Soviet actions in the Indian Ocean area, primarily around the Horn of Africa.

It was not propitious at the time, or particularly productive, to continue those talks.

There was a commitment by Messrs. Brezhnev and Carter at Vienna to explore further talks. Those explorations were not productive and, obviously, at the moment, even though we have not suspended the idea of eventually reopening these discussions, the conditions for productive discussions, given the Soviet action, particularly in Afghanistan, just simply are not there.

Mr. HAMILTON. Would you say that now we have a considerable arms buildup in the area?

Mr. MONTGOMERY. There has been an arms buildup in the area on the part, obviously, of the Soviet Union. Its move into Afghanistan represents a major buildup in the area and, as Under Secretary Komer discussed, we have increased our forces in the area also.

U.S.-U.S.S.R. MILITARY BALANCE IN REGION

Mr. HAMILTON. Could we get some idea of the U.S.-U.S.S.R. balance of forces in the region today?

I do not know who is best qualified to talk to that.

Mr. KOMER. Why do you not let us submit that for the record for a better answer, if you would let us.

Mr. HAMILTON. Let us have an answer for the record.

Mr. MONTGOMERY. Surely.[1]

[The information referred to follows:]

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[1] A portion of the information was provided on a classified basis and is retained in the committee files.

U.S.-U.S.S.R. MILITARY BALANCE IN PERSIAN GULF REGION

The current U S naval and tactical air presence is: 2 aircraft carriers, 5 cruisers, 7 destroyers/frigates, 1 command ship, 1 Marine Amphibious Unit (1800 Marines), 143 carrier-based tactical aircraft, 4 amphibious ships, 5 logistic support ships, and 1 repair ship.

The Soviet Union is currently operating 26 naval ships in th Indian Ocean, including cruisers, escorts, submarines, and [deleted].

Mr. HAMILTON. I would like it with regard to not only the number of ships but the tonnage, the ship days, and firepower. In other words, I would like it in some detail rather than just gross numbers, I believe.

Beyond the scope of our present focus, on the subject of the arms control negotiations with the Soviets, are any of them continuing now?

Mr MONTGOMERY. Yes.

OTHER NEGOTIATIONS

Mr. HAMILTON. The test ban, MBFR, chemical, all the rest.

Mr. MONTGOMERY. Among others, the MBFR talks and comprehensive test ban negotiations are continuing.

Mr. HAMILTON. Does that mean that the delegations are meeting regularly?

Mr. MONTGOMERY. Yes.

Mr. HAMILTON. Now?

Mr. MONTGOMERY. Yes.

Mr. HAMILTON. How regularly—daily?

Mr. MONTGOMERY. I would have to submit the key details for the record, if you would like, but they are meeting as they have always met.

[The information referred to follows:]

ARMS CONTROL NEGOTIATIONS

COMPREHENSIVE TEST BAN NEGOTIATIONS

A comprehensive nuclear test ban (CTB) treaty is one of the Administration's most important objectives in the arms control field. Such a treaty would impose an important qualitative restraint on the nuclear arms competition between the Soviet Union and the United States. It would constrain further improvements in the yield-to-weight ratios of Soviet warheads, thus preventing them from putting their missile throw-weight to most efficient use, and it could inhibit their ability to field a cruise missile force as efficient and sophisticated as our own.

It would also strengthen non-proliferation efforts. Non-nuclear-weapon states which join the treaty will be accepting an important constraint on their ability to develop a nuclear-weapons capability. And by demonstrating the willingness of the nuclear powers to accept restraints on their own nuclear capabilities, a CTB would put the United States in a more favorable position to pursue other key elements in its non-proliferation strategy, such as gaining wider adherence to the NPT and persuading other nations not to develop nuclear weapons.

Trilateral CTB negotiations involving the United States, the United Kingdom and the Soviet Union have been underway in Geneva since October 1977. The most recent session ended just a few days ago and the talks are scheduled to resume in June. Many of the important provisions of the treaty have been negotiated. The treaty, which will prohibit all nuclear weapons test explosions, will have a fixed duration. A protocol, which will be an integral part of the treaty, will establish a moratorium on nuclear explosions for peaceful purposes. This moratorium will remain in force for the same duration as the treaty unless an agreed way can be found to preclude the acquisition of military benefits from nuclear explosions for peaceful purposes.

Most of the negotiating time in Geneva is spent on verification issues. The United States has pressed for verification measures to monitor a CTB that could effectively supplement existing national technical means of verification. Significant progress has been made in reaching agreement regarding on-site inspections and use of a system of specifically equipped, tamperproof seismic stations on the territories of the parties.

MBFR

While the MBFR negotiations—begun in 1973—have not achieved agreement, and serious differences remain on several essential issues, there has been some narrowing of the gap between the two sides. The Western Allies last December tabled new proposals for an interim Phase I agreement which we hope will provide a basis for progress. This Phase I Agreement would provide United States and Soviet manpower reductions with a common ceiling as an objective for Phase II. Equipment on both sides would not be subject to a Phase I agreement. Our December proposals also included detailed provisions for associated measures to aid verification and enhance confidence. The most recent round came to an end only a few days ago.

An area of particular concern, and a major focus on recent discussion, has been the data issue. East-West agreement on the data base is essential in order to calculate reductions to a common ceiling. The sides exchanged initial data on manpower levels in 1976, and additional, more detailed data in 1978. Discussion of these tabled data has not yet clarified the reasons for the 150,000 discrepancy between Eastern and Western figures for overall Eastern manpower in the area. Under our new proposals, agreement on United States and Soviet manpower will be required in a first agreement that reduces only United States and Soviet forces.

It is impossible to predict when an agreement will be successfully concluded, but we believe that our new proposal could open the way for progress, given a comparable Eastern willingness to help resolve the remaining issues.

RADIOLOGICAL WEAPONS

Following a U.S. initiative at the United Nations in 1976, the United States and Soviet Union held bilateral discussions during a number of years on this subject, which culminated in agreement on a joint draft text that was submitted by both governments to the Committee on Disarmament in 1979, and which is the subject of discussions in the CD.

The joint draft text contains provisions that if enacted in the form of a multilateral treaty would result in a prohibition of the development, production, stockpiling or acquisition of radiological weapons or of any radioactive material, other than that produced by a nuclear explosive device, for the purpose of causing destruction, damage or injury by means of the radiation produced by the decay of such material.

CHEMICAL WEAPONS NEGOTIATIONS

The 11th round of bilateral talks with the Soviet Union on this subject ended just a few weeks ago. Our goal in negotiating with the Soviets is to reach agreement on a joint initiative to the Committee on Disarmament for multilateral negotiation of a comprehensive prohibition of chemical weapons. There has been substantial progress on issues relating to the scope of the prohibition, as well as some progress in the area of verification, but complex and difficult issues remain, particularly with respect to verification measures. During the negotiations we have stressed the U.S. requirement for effective verification. We expect to meet again next month with the Soviets to resume our talks. However, the negotiations are a long-range process, involving difficult political and technical decisions, and we do not expect rapid completion.

ANTISATELLITE WEAPON NEGOTIATIONS

Satellites play a key role in U.S. strategic defense. They are used for warning, reconnaissance, communications, and navigation, as well as for civilian functions such as meteorology, civil communications, and scientific exploration. Certain satellites are also important for verification of compliance with arms control agreements. Development of anti-satellite systems would call into question the ability of satellites to provide strategic warning or to carry out other functions in time of conflict. The goal of our antisatellite negotiations with the Soviet Union, the most recent session of which ended last June, is to prevent an arms race in space and to minimize the threat to our freedom to operate in space.

Three rounds of negotiations have been held: June, 1978; January–February, 1979 and April–June, 1979. No new round of ASAT negotiations is currently scheduled.

INDIAN OCEAN

The United States and Soviet Union have held four rounds of talks to consid a possible arms control agreement concerning United States and Soviet for in the Indian Ocean. Both sides tentatively have agreed that this agreement wou involve stabilizing their forces and activities at the levels and patterns of rece years, followed by negotiations on possible mutual reductions. The last round w held in February 1978.

The talks have been in abeyance since then. In our view, Soviet naval open tions in support of their activities in the Horn of Africa called into questio whether we had a common understanding of the purposes of the stabilizatio agreement and its impact on the behavior of our two sides.

Recent events in the region have not enhanced the prospects for resumptio of these talks.

CONVENTIONAL ARMS TRANSFER

In four negotiating sessions over a one-year period, the United States an Soviet Union agreed on a basic framework for restraining conventional arm transfers defining basic legal principles, related guidelines for arms transfe decision-making, and the requirement to apply those principles and guideline in an agreed manner in specific regional contexts. By the end of the last round in December 1978, complete drafts of arms transfer criteria had been tabled b both sides, and work had begun on a common text. The two sides were unabl to move forward on the question of regional application, however, because the were unable to agree on candidate regions for restraint. The chairmen of the United States and Soviet delegations met in July, as called for by the Vienn Summit communique, to discuss the question of regional application and other related to resuming a fifth round of negotiations. No agreement was reached and further heads of delegation meetings have been scheduled.

Mr. HAMILTON. OK.

TOTAL COST OF RDF

Mr. Komer, you have tossed a few figures around with regard to RDF, or the rapid deployment force. Can you give us any total costing of that over some period of time?

The only figure that I recall is $11 billion for the airplanes.

Mr. KOMER. No, sir. The $11 billion was primarily for the CX and the maritime pre-positioning of ships. It included some other things, too.

Mr. HAMILTON. You have been talking about some improvements in bases and stationing a modest number of people, both military and nonmilitary.

What kind of expenditures are we making to develop a rapid deployment force?

Mr. KOMER. It would be very difficult to give you an exact figure, since the rapid deployment force does not involve new forces.

What the rapid deployment force is is the earmarking of existing general purpose forces for contingency deployment in third areas, and we are looking particularly at the Indian Ocean and the Persian Gulf.

Therefore, it would be improper to allocate the cost of the rapid deployment force to the Indian Ocean-Persian Gulf area. Some of those units are for use in Korea if a contingency erupts there.

Many of them are for use in NATO.

Mr. HAMILTON. What I want to try to get from you, and you may not be able to supply this at the present time, is some kind of cost estimate. Let us put aside the question of manpower. I want to try to get from you on the record, at some point, your estimate of the facilities, the extra cost of training equipment as a result of the development of the rapid deployment force.

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Can you do that? Can you supply that for the record?

Mr. **Komer**. We can try. It will be very difficult because, of course, some of it is part of the ongoing negotiations which will change.

Some of it is not yet even asked for, or costed, but we will do the best we can for you.

[The information requested follows:]

Costing the RDF

For fiscal year 1981, we have proposed about $140 million for facilities improvements in Oman, Kenya, Somalia, and Diego Garcia and about $35 million for exercises. Deriving a precise equipment figure is much more problematic. Quite frankly, it depends where you draw the line. For example, I could say that for fiscal year 1981 we have requested about $1.1 billion for programs which will improve our rapid deployment capabilities. But that figure would include programs such as USMC mobility enhancement, the C-X, the KC-10, C-5 wing modification, CRAF modification, spares for C-5's and C-141's, and C-141 stretch and refueling modification, which, of course, improve our capabilities everywhere, not just in the Persian Gulf.

PRE-POSITIONING OF EQUIPMENT

Mr. **Hamilton**. Now as to this pre-positioning, my understanding of that is that the military equipment would sit on a ship, right, and the ship would sit at a harbor. Now that, I presume, will take good monitoring and maintenance. Right?

You are going to have to have some people there. You are going to have to make sure that the equipment is in working order.

You are going to have to make sure that the forklifts work, and all that.

Mr. **Komer**. Actually, we do not think it will take very many people. We have got a lot of experience with pre-positioning equipment. We started doing it in Europe as early as 1964. We had done it in Korea even earlier.

We believe that these ships can have minimal civil service crews. So we do not see a big logistic manpower requirement for pre-positioning.

Mr. **Hamilton**. Now, can you comment on the kinds of equipment that will be pre-positioned?

Mr. **Komer**. It will be mostly brigade sets of heavy equipment for a Marine amphibious brigade. We are looking and talking about a tailored Marine amphibious brigade and also some munitions and some supplies for the Air Force and for the Marine Air Force.

In other words, we will tailor the packages we put on ships to meet the most likely contingency needs.

Mr. **Hamilton**. Is it your judgment that the advantage of pre-positioning is that you can move it into use much more quickly? Is that right?

Mr. **Komer**. Yes, sir.

Mr. **Hamilton**. Is it much better to pre-position rather than keep the equipment back here, storing it in this country and getting it out there?

Mr. **Komer**. Every analysis that we have ever done indicates that rapid response, pre-positioning equipment is by far the most cost-effective option.

Mr. **Hamilton**. Good.

Mr. Komer. The alternative, because we might have to move very rapidly, would be to buy an outsize airlift like the C-5 or the CX, in quantities far beyond those we have bought or are presently considering buying.

A sealift to go 10,000 miles into the Persian Gulf and the Indian Ocean area is much too slow for the initial rapid response though it is OK for resupply.

So by all odds, the most cost-effective mix we have come up with is to pre-position the specific equipment on nearby ships and to supplement that with an airlift.

RAPID DEPLOYMENT FORCE

Mr. Hamilton. When you use the phrase "rapid deployment force," what are the elements of that? Obviously, the manpower, but what about the pre-positioned ships, the airlift capability?

Mr. Komer. Let me expand on that.

The RDF would include all that is necessary to give us a capability to respond to a contingency, particularly in the Indian Ocean area. It would include the headquarters. It would include the command control and communications. It would include the logistics support. It would include the forces.

It would be the strategic mobility, or the intratheater's mobility which was required.

Mr. Hamilton. We have that capability to some degree today, don't we?

Mr. Komer. Yes, sir.

Mr. Hamilton. Can you state to what degree we do have it?

Mr. Komer. Well, that is very hard.

We are particularly deficient in several areas. First, we do not have the pre-positioning ships although we are leasing some in the interim.

Second, we do not have the airlift which is why we are asking for the CX.

Third, while we have activated the headquarters, we are not totally satisfied with command control and communications, although we are moving ahead rapidly.

Fourth, we have not yet gotten all of the facilities which we want, but I do not know how I could accurately give you a breakdown of what we have and what we do not have, or whether we are 50 percent of the way home, or 32 percent, or what.

Dick, do you have anything to say?

Mr. Hamilton. Do you have any comment on that, General?

CHARACTER OF RDF

General Lawson. I think that as to the two points that Ambassador Komer made earlier, what we did, Mr. Chairman, was to tabulate up the kinds of forces that we have seen and used in the past in contingency efforts, and that we could opt to use in the future.

Then we shredded out a whole series of scenarios, and we put together the package of the force that would be needed to accommodate that particular scenario, and then that ranged from all the way from very small organizations to a large rapid deployment force in excess of 100,000, and then that includes every kind of support.

That would include the air support, the reconnaissance that is needed, the men to control that that is needed, the men to run the naval capability that is needed, both to transport it and to protect it as it goes ashore, so forth.

Then having drawn that, we stood back and tried to see what things we needed then to take the capability that then which, in some cases, it took 2 months or 4 months, how do we shorten that, and that is when we came up with the ideas on pre-positioning and on a fast sealift and this CX and really looked at a combination of those, trying to find the optimum mix of those three to do the job that we anticipated under these various scenarios and, as the Ambassador said, we are somewhere between 30 percent and 50 percent of the way home now and proceeding every day.

Mr. Hamilton. Did I understand you to say that 100,000 is your maximum number?

General Lawson. No. There are larger sizes than that as well.

Mr. Hamilton. All right.

Mr. Komer. Dick Lawson made a very good point, Mr. Chairman. The degree of preparation today is partially based on the worst-case scenario.

ROLE OF MARINES

Mr. Hamilton. Secretary Brown, in his defense report, has the sentence: "To move a mechanized or armored brigade to a remote area would tie up most of our airlift capability for a considerable time."

So that indicates something of our present capability.

Mr. Komer. But we will try to meet that in two ways: One, by buying more outsize airlift and second, by pre-positioning that heavy equipment out there. We are also looking at fast sealift.

Mr. Hamilton. What are the Marines doing headed out there? Where are they? What are they going to do when they get there?

General Lawson. They are in the Indian Ocean, sir.

Mr. Hamilton. What are they doing?

General Lawson. They are on airborne ships.

Mr. Hamilton. How long are you going to keep them there?

General Lawson. Well, this is standard. It is the first time that we have had a maritime unit in that particular area for some time.

Mr. Hamilton. Asia.

General Lawson. From Okinawa.

ROLE OF DIEGO GARCIA

Mr. Hamilton. Okinawa. They are already in place.

The pre-positioned ships are going to be placed where? Can you tell us that?

Mr. Komer. The beauty of that is that they can be placed at any number of places and moved when necessary to Diego Garcia, where there is a lagoon that we are dredging. It would be a very easy holding place centrally located in the Indian Ocean.

Mr. Hamilton. How long does it take a ship to get there?

Mr. Komer. Timing: 15 knots, 2,000 miles. About 6 days to the Strait of Hormuz.

It seems, Mr. Chairman, that you are really talking about a lot less than crossing the Atlantic. So, you know, less than a week, I would think.

Mr. Hamilton. OK.

So you want to submit our present forces there. I think that is right.

General LAWSON. Yes.

FRENCH ROLE

Mr. HAMILTON. Can you comment on the French presence in the Indian Ocean today?

General LAWSON. I can just make the statement that they have 14 ships there.

Mr. HAMILTON. In the Indian Ocean.

General LAWSON. Yes.

Mr. HAMILTON. Combatant ships?

General LAWSON. Combatant plus support, and I can give you the specifics of those as well.

Mr. HAMILTON. Would you, please.

General LAWSON. I would be happy.

AUSTRALIA'S ROLE

Mr. HAMILTON. Are we going to be seeking any facilities at Perth, Australia?

Mr. KOMER. That is an area that we are considering as a possible carrier home port.

As you know, we have only one carrier task force at a home port overseas at this moment, and that is in Japan. We are looking at the possibility of several other areas, in fact, as many as a dozen other areas, where we might home port an additional carrier. Coburn Sound near Perth is one of them subject, of course, to the agreement of the Australian Government.

Mr. HAMILTON. What comment can you make about the permanence of our military forces, including the task force, in the Indian Ocean?

Mr. KOMER. Mr. Chairman, we have every intention, given the heightened threat that we see in the Indian Ocean area, of maintaining a permanent maritime presence there.

What it would consist of at any given time is more debatable. Under normal circumstances, we would like to maintain at least one carrier task force there most of the time, but there are other options.

REACTION IN GULF

Mr. HAMILTON. What kind of reaction have you gotten from the states in the Persian Gulf as to our considerable military presence there?

Mr. KOMER. Well, due to the invasion of Afghanistan and the chaos in Iran, there has been little adverse response in the littoral states.

Mr. HAMILTON. Supportive?

Mr. KOMER. I would not say exactly supportive. It varies widely.

Mr. HAMILTON. Some have been very critical?

Mr. KOMER. Not very, but I think that, if I am not mistaken, India, or rather, some Indian officials have made critical comments. Of course the Iraqis have said that they would prefer not to have any of the superpowers in the area. But overall there has been little adverse political reaction.

Mr. HAMILTON. Does the "rapid deployment force" phrase mean any change at all in our willingness or desire to intervene militarily as an instrument of U.S. policy?

Mr. KOMER. No, sir.

It seems to me that all that it changes is our capability to intervene if it appears to be in the national interest.

Now, that is a very debatable point as to, you know, whether capability creates will, or increases desire to intervene.

I, myself, have always taken the opposite side of that question, that the greater your capability, the more you will deter the development of the kinds of threats which might force you to intervene and that, therefore, there is no linear relationship between the ability to intervene and a desire to do so.

ROLE OF ACDA

Mr. **Hamilton**. Mr. Montgomery, did ACDA play any role in the formulation of the new Carter doctrine on the Persian Gulf?

Mr. **Montgomery**. As you said earlier, Mr. Chairman, the administration has not used the phrase "the Carter doctrine."

The role that ACDA plays in the Persian Gulf and Indian Ocean area concerns primarily arms transfers that will be used to support our security effort in this area. We do play a continuing role in evaluating the specific arms transfers that are proposed and, of course, we maintain a very lively interest on behalf of the administration in nonproliferation questions in the Indian Ocean area.

Mr. **Hamilton**. What I am getting at is that we have had a number of significant military changes since Afghanistan. We have heard about some of them today. Has ACDA been consulted on this?

Mr. **Montgomery**. ACDA does not have a role in the deployment of American forces in that area. That is the responsibility of the President and the Defense Department.

Mr. **Hamilton**. Do you not have a role when we decide to create a rapid deployment force? When we begin to implement that, does that not impact on the arms control situation?

Mr. **Montgomery**. We have a role in this sense: The Arms Control and Disarmament Agency is required to prepare and submit each year, with the Defense budget, the administration's arms control impact statement on various items in the budget which meet certain fiscal and nuclear criteria.

Insofar as these forces meet those criteria, and should the various new elements that Ambassador Komer was discussing fall within these criteria, then the administration considers whether or not a prima facie case exists to do an arms control impact statement on those items in the budget. In this sense, we do get involved.

Mr. **Hamilton**. When the plans are underway to prepare and to execute these facilities about which we have talked this morning, is ACDA engaged in that at all?

Mr. **Montgomery**. We are not involved in decisions on the construction of the facilities or in the negotiations for these facilities. We are involved in the transfer of arms that might go along with these efforts.

Mr. **Hamilton**. All right.

Gentlemen, thank you very much. We appreciate your testimony this morning.

The subcommittee stands adjourned.

We will be submitting some questions to you.

Mr. **Komer**. Thank you, sir.

[Whereupon, at 11:51 a.m., the hearing was adjourned.]

U.S. INTERESTS IN, AND POLICIES TOWARD, THE PERSIAN GULF, 1980

MONDAY, MAY 5, 1980

House of Representatives,
Committee on Foreign Affairs,
Subcommittee on Europe and the Middle East,
Washintgon, D.C.

The subcommittee met at 2:05 p.m., in room 2255 of the Rayburn House Office Building, Hon. Lee H. Hamilton (chairman of the subcommittee) presiding.

Mr. **Hamilton**. The meeting of the subcommitee will come to order.

Today the Subcommittee on Europe and the Middle East continues its hearings on U.S. policies toward and relations with the states in the Arabian Peninsula and Persian Gulf.

This is the third in a series of hearings which seeks to examine the impact of the Iranian revolution, the Soviet invasion of Afghanistan, and other recent developments in this important region. Further hearings will be held in the coming weeks on this same subject as we seek to determine what should be the nature of the American response to developments in the area and evaluate the recently pronounced Carter doctrine.

We are pleased to have with us today three experts on the region. Lt. Col. John J. Ruszkiewicz, who served extensively with the Department of Defense, returned recently from his position as U.S. Defense attaché in the Yemen Arab Republic.

Mr. Ruszkiewicz recently retired. He will speak today about his experience in the Yemen Arab Republic and generalize from those experiences to our more general policy problems in the area.

He is joined on today's panel by Dr. William Quandt, who is currently a senior fellow at the Brookings Institution and who, until recently, served as senior specialist on the Middle East on the National Security Council staff in the White House. Dr. Quandt is currently working on a study on Saudi Arabia.

Our third witness, Dr. Marvin Zonis, is a professor of behavioral sciences at the University of Chicago. Dr. Zonis testified before this subcommittee in the early 1970's on developments in the Persian Gulf. We welcome him back before us. He is among the foremost specialists on Iran in this country.

Gentlemen, we are happy to have you here. Your prepared statements will be entered into the record in full. We would appreciate a short summary in order to maximize the time for questioning.

Mr. Ruszkiewicz, we will hear from you first.

STATEMENT OF LT. COL. JOHN J. RUSZKIEWICZ, U.S. ARMY (RETIRED), FORMER MILITARY ATTACHE IN THE YEMEN ARAB REPUBLIC

Colonel RUSZKIEWICZ. In my prepared written statement, I focus basically on two themes. The first was a subordination of our policy toward North Yemen to that of Saudi Arabia, a policy decision that I feel ultimately led to North Yemen agreeing to a significant arms deal with the Soviet Union.

Hopefully, in my written statement I have expanded upon my conclusion in that regard. My second theme was the manner in which the flow of intelligence information so vital to the formulation and execution of foreign policy is so often impeded and, as was the case during the border war between the two Yemens in early 1979, ignored because it failed to support a political decision of our administration.

SAUDI ARABIA AND THE YEMEN ARAB REPUBLIC

In support of my first theme, I went into considerable detail to outline the failure of our policy decision to place Saudi Arabia in a position of managing the infusion of a large quantity of American equipment into Yemen's Armed Forces. Saudi Arabia played political football with this program, manipulating Yemen's politics and political leadership to the point where North Yemen felt it had no choice but to go over to the Soviets.

They had concluded the United States could not help them shed the yoke of excessive Saudi influence.

REPORTING OF FIGHTING IN YEMEN

For my second theme I focus on my personal experiences as military attaché in the Embassy during the period of the border war between the two Yemens in 1979. During this time, I was never able to confirm what later proved to be exaggerated accounts of the fighting portrayed by Yemeni officials and reported to Washington by others in the Embassy.

I have detailed in my statement the manner in which the Ambassador toned down my reporting information I had collected which suggested official accounts of the fighting were grossly exaggerated.

I mention in my written statement and wish to stress the point that information does not come out of our Embassies as it should. You might consider this remark on my part an overgeneralization if it were based strictly on my experience in Yemen. However, I know through associates of mine in other Embassies that, for instance, this was the case in Iran. It is true to some extent in Greece and is overdone by our Ambassador in Oman.

I have also indicated that the administration had sufficient intelligence to the effect that the situation in Yemen was not all that serious during the fighting to warrant shipping large quantities of arms to North Yemen when it did. I would be glad to discuss North Yemen's inability to absorb this equipment into its own forces and what they ended up doing with this equipment.

The administration's rationale for rushing this equipment to Yemen was designed, as I understand it, first to show U.S. resolve to our Yemen friends, second to show our willingness to protect vital national interests in that part of the world to our Saudi ally, and last, to send a signal to the Soviets that we were serious about meeting Soviet encroachments into the Arabian Peninsula.

Personally, based on my experiences, I feel that the decision was political more than anything else and was best expressed to me in early July by my desk officer in the attaché's office here in Washington when he said: "Let me put it this way. If Yemen had not happened at that particular time, it would have been invented."

I would hope that my prepared statement will provide some insight into our policies toward the Yemen Arab Republic in partucular, and the Persian Gulf region in general. Personally, I do not think that we have much of a policy toward North Yemen. At least it is not much of a policy for a major world power toward a country so strategically placed from the perspective of U.S. interests in the Persian Gulf region.

That is the end of my statement.

[Colonel Ruszkiewicz' prepared statement follows:]

Prepared Statement of Lt. Col. John J. Ruszkiewicz, U.S. Army (Re
Former Military Attaché in the Yemen Arab Republic

I have attempted to make an assessment of United States policies toward the Yemen Arab Republic in particular and the Persian Gulf in general, from the perspective of my two years experience as military attache in the Yemen Arab Republic. Within one week of my return to the United States after this assignment in mid-January 1980, I spent three days in Washington discussing my experiences and appraisal of events in that part of the world with a number of agencies of our government, including our defense establishment.

Not surprisingly, everyone I talked to, without exception, solicited my views upon what is going wrong with United States policy in the Middle East and what should be done about it. Having been encouraged to call it like it is, I summarized the situation in the Arabian Peninsula with the statement, "North Yemen is now behind enemy lines as the result of the new Soviet arms agreement with that country. And, based upon the way things are going, Saudi Arabia could very well be there in about two years." My remarks did not seem to surprise anyone, with the possible exception of my arbitrary designation of the two year time period for Saudi Arabia's demise as the result of internal political upheaval.

I am not surprised therefore, that this committee is meeting for the purpose of assessing United States policy in such a critical region of the world, particularly in light of events that have transpired there in the past 18 months which have too often prompted the question, "What is wrong with our foreign policy in that part of the world?" or, "Do we really have a coherent policy toward the Middle East?"

I will attempt to focus upon two basic themes in my statement, themes which I feel will provide an insight into the way we formulate and execute foreign policy, and which thereby, have implications toward future policy. The first is the subordination of our policy toward North Yemen to that of Saudi Arabia, a policy decision which ultimately led to North Yemen agreeing to a significant arms deal with the Soviet Union. My second theme is the manner in which the flow of information so vital to the formulation and execution of foreign policy is so often impeded, and in the case of the border war between the two Yemens during February and March of 1979, dismissed by decision makers in the Administration because it failed to support a political decision designed to improve President Carter's tarnished foreign policy image.

The chronology of events which portray my basic themes began in early 1975 when the United States reached an agreement with Saudi Arabia on the subject of modernizing the Yemen Arab Republic's armed forces. The United States approved of and encouraged Saudi Arabia's desire to become a leading force in the region of the Persian Gulf. The United States agreed to sell Saudi Arabia $138 million of military equipment which would be delivered to North Yemen and used to organize and equip six brigade groups of 3000 men each in that country. This equipment included about 2800 wheeled vehicles ranging from jeeps to tank transporters, 105 mm howitzers, vulcan air defense 20 mm guns, 50 caliber machine guns, 81 mm mortars and the LAW anti-tank weapon. With the exception of the vulcan system, all weapons were of World War II vintage. (The LAW is actually a disposable version of the World War II anti-tank bazooka).

Saudi Arabia was also buying certain equipment from the French for Yemen, the Panhard armored car being the most important item. Not included in the total package for Yemen were tanks and modern aircraft to replace the aging T-34 Russian tanks and MIG 17 aircraft, something which the North Yemen military felt very strongly about. When they objected to this Saudi financed and managed program which did not include modern planes and tanks, they were told the modernization of their air force and of their navy would be provided for in a second five year plan. (Tanks and aircraft are critical prestige items for developing countries). They were also told the Panhard armored car would be superior to the tank in the terrain of Yemen and they really did not need tanks. Meanwhile, South Yemen had begun receiving modern tanks, planes and naval vessels from its Soviet patron.

The United States, in agreeing to the role of supplier of military equipment in support of the Saudi program in Yemen, had to make some exceptions to its foreign military sales policy. Unlike other western countries who promote arms sales for the sake of profit alone, United States policy is to follow through on all sales to insure these weapons are fully integrated into the recipient country's military organization and are properly maintained. In many cases this policy requires extensive training in the United States of members of the recipient country's armed forces in the use, maintenance and repair of this equipment. Where necessary, mobile training teams (MTT's) are sent to the recipient country to work with the military.

At Saudi Arabia's insistence, the United States agreed to abandon this policy in the case of North Yemen, and permit Saudi Arabia to assume responsibility for all phases of managing the program. The United States Security Assistance effort in Yemen would serve only a monitoring role. In essence, the American presence constituted a convenient scapegoat whenever something went wrong, as it often did, for we were not permitted to step in between the Saudi military training mission and the Yemen military

Recognizing Saudi Arabia might not be able to manage the program entirely from within its manpower resources, it was understood that the United States and Jordan would backstop Saudi efforts wherever necessary. Saudi Arabia had agreed to the establishment of a large Jordanian military training mission in North Yemen, a mission which reached a high of about 70 military personnel during the summer of 1977. When Saudi Arabia would be unable to provide necessary training for North Yemen's people in the Kingdom of Saudi Arabia, they would be sent to Jordan for this training. Only as a last resort would Yemeni military personnel be sent to the United States, or American MTT's be sent to Yemen.

It was not too long after the program was underway that certain tensions began to assert themselves, barely spoken at first, but increasingly vocal with the passage of time.

Saudi Arabia has no combat experience in the modern sense of the word and therefore its military receives no respect in the Arab world. Jordan, on the other hand, is widely regarded as the most effective Arab military force in the region. As a result, the Jordanian military training mission to Yemen was received with great enthusiasm, while the Saudi mission was not. The presence of both a Saudi and a Jordanian military mission in Yemen served to exacerbate the age old jealousy between the Saudi Kingdom and the Hashemite Kingdom.

Further complicating the situation and contributing to the ultimate failure of the program was the question of Saudi Arabia's ultimate designs on North Yemen. North Yemen has a population of about six million people, probably more than the combined populations of the remaining countries in the Arabian Peninsula. One can understand how Saudi Arabia could look to its southern neighbor as a potential force to buffer the threat posed by the Marxist government of South Yemen and to withstand further encroachments by the Soviet Union from the direction of the Horn of Africa. At the same time, one could also understand Saudi Arabia's concern over the prospect of an effective North Yemeni military organization which could just as easily move north against Saudi Arabia as it could move south against South Yemen. A third element which complicates the situation is the question of uniting the two Yemens, that is, the northern part and the southern part of the homeland together again. From the Saudi perspective, the prospect was unthinkable and unacceptable. In other words Saudi Arabia had caught itself in the impossible bind of wanting a North Yemen that was "strong enough but not too strong."

By the summer of 1978, North Yemen's military was much weaker and more poorly organized than it was in 1974 when the Soviets were their primary source of military assistance. By 1978 most of the wheeled vehicles had arrived, but very few of the weapons. The Jordanian training mission had been reduced to a handful of men, and the Saudis had proved themselves utterly incompetent to perform a military training mission. Only after large quantities of vehicles began to break down for lack of spare parts and repair did they address the need for a maintenance and repair facility. Units were reorganized only on paper. The Saudis had played political football with the program, and used it as a carrot at the end of the stick to manipulate Yemen's politics and its leaders to their ends.

Then, on the 24th of June, North Yemen's president was killed when an explosive-filled briefcase carried into his office by an emmissary from South Yemen exploded. Two days later South Yemen's president was killed by his political rivals in a complicated series of coup and counter coup. The southern tip of the Arabian Peninsula was in turmoil and no one was more concerned than Saudi Arabia. It placed its military forces on full alert in preparation for any eventuality. As a result it can be said with the benefit of hindsight (and by understanding subsequent Saudi actions), at this point Saudi Arabia for the first time admitted to itself that it couldn't fight its way out of a paper bag. As events unfolded over the next six months, one could see the impact of this new realization in Saudi Arabia's seeking a greater commitment to the region from the United States.

We in Embassy Sana viewed the political turmoil in late June 1978 from the perspective of North Yemen's vulnerability to military action from the south. In early July we sent a country team assessment of the situation to State, in which we stressed that with a minimum of effort by the United States, quantities of weapons already purchased for Yemen by Saudi Arabia could be shipped by air to Yemen on an expedited basis, thus significantly improving North Yemen's defensive posture. Since Saudi Arabia was paying the bill, our only hurdle was to convince them of the feasability of our initiative. Accordingly, a conference was arranged (with the approval of State) to be held in Riyadh in late July.

I travelled to Riyadh with one of my assistants to work out the details of those accelerated deliveries with our U.S. military assistance mission to Saudi Arabia prior to presenting our concept to the Saudi military. We arrived to learn that the conference would be attended by a number of personnel from Defense Department agencies in Washington. Our modest proposal to improve Yemen's defense capability hit Washington at a time when the Administration was apparently casting about for some way to present a stronger image in the region. North Yemen presented itself as a likely place for the United States to take a stand against communist encroachment from the Horn of Africa, and had become the subject of a National Security Council memorandum. As one of my colleagues from the Secretary of Defense's office expressed it, "President Carter has to take a stand somewhere in the region, and he can do it cheap in Yemen because Saudi Arabia is paying all the bills. For that reason we should have no trouble getting this thing approved by Congress."

Not only was the Administration prepared to accelerate deliveries of equipment already purchased to Yemen. It was willing to consider an additional program for Yemen which included the sale of tanks, aircraft and armored personnel carriers. Naturally Saudi Arabia would pay all the bills. After four days, our conference had developed a program for introducing this new equipment to Yemen. It provided for a larger United States presence in Yemen and the suggestion of less control by the Saudis. The package, as presented to the Saudis, was sweetened by stressing the fact this program would supplant the Soviet presence in Yemen, something which had great appeal to the Saudis.

Upon completion of our unilateral conference and our joint conference with the Saudis, where we had no problem selling the program, I returned to Sana by U.S. military aircraft accompanying Mr. Robert Murray, an assistant secretary of defense in the office of International Security Affairs. Mr. Murray received the full red carpet treatment by the Yemenis upon our arrival. They had concluded from a number of diplomatic initiatives undertaken by State during the past month, that Mr. Murray was visiting for the purpose of announcing a new United States-Yemen Arab Republic bilateral relationship under which the United States would directly supply Yemen with new arms and equipment. Clearly this was not the case. Mr. Murray was not even authorized to discuss such a relationship with YAR officials. During our meeting on the subject the YAR president made himself very clear on this point - he wanted President Carter to send someone to Yemen who had the authority to discuss such a relationship. A measure of North Yemen's disappointment over Mr. Murray's visit was reflected when he and his two assistants received only bags of Yemeni coffee beans as token gifts upon their departure, rather than the customary, coveted Yemeni dagger and scabbard.

About two weeks later, a joint United States - Saudi military delegation arrived to present the equipment proposal to Yemen. Unfortunately, no one had removed the phrase "supplant the Soviet presence in Yemen," which was a sweetener used on the Saudis. YAR officials understandably expressed their resentment that we dare tell them who their friends would be and not be. The proposal that we could get the World War II vintage equipment to Yemen in time for their September 26 National Day parade fell equally flat. (United States Administration officials had counted on a display of this equipment at the parade to signal their resolve to the Soviets, and such surface flashiness appealed to the Saudis.) We knew Yemen was going to reject the program when the Chief of Staff said North Yemen might not have a National Day parade that year. Our suspicions were confirmed the next day when the YAR president informed us he was not interested in a program which would accelerate deliveries of equipment to Yemen which they had already agreed to receive. What he wanted was a program for the immediate delivery of modern aircraft, tanks, artillery and rockets similar to those being delivered to South Yemen by the Soviets.

President Carter's first effort at taking a stand against the Russians in the region had aborted.

During the next month, Saudi officials worked on the YAR president, finally convincing him that acceptance of accelerated deliveries of the original package of equipment would lead to a follow-on package of more modern equipment. Realizing that Saudi Arabia would not stand for a direct U.S._YAR relationship to modernize his armed forces, the YAR president in late September agreed to our original proposal. This of course set the wheels in motion for the air shipment of equipment to Yemen, The creation of a United States office of security assistance in North Yemen, and the preparation and submission of Letters of Offer and Acceptance (LOA's) by Saudi Arabia to the United States for the purchase of F5E aircraft, M60 tanks, and armored Personnel carriers.

During the next three months Saudi Arabia continued with its ambivalent on-again off-again policy toward North Yemen. It took until January 1979 to get them to actually prepare and submit the LOA's for the new equipment to Yemen. Yemen had good reason to suspect Saudi and United States intentions toward them as a result of this delay. Of course YAR officials kept coming to us to enquire about the expected date of arrival of this new equipment and we kept hedging.

By now, events in Iran had reached alarming proportions. The Saudis had become panicky. Secretary of Defense Brown visited Saudi Arabia in January, and found the Saudis of a mind to suggest a greater United States presence and comittment in the region, something we were not prepared to do at the time. In an effort to convince Secretary Brown that the Soviet threat to the Kingdom was real, Saudi intelligence at one point during his visit produced information that large numbers of South Yemeni tanks and artillery had moved into a remote area of North Yemen, supported by air strikes. We were unable to confirm this, and their story was soon laid to rest for what it was.

The first weeks of February 1979 were characterized by an increasing frequency of clashes along the border of the two Yemens by insurgent forces from both countries operating against military targets in the region. We in the embassy were quite surprised when the YAR president called us in on the 23rd of February and stated the South was comitting aggression against North Yemen, with Soviet assistance. He asked what his American friends would do to assist North Yemen in opposing this Soviet supported aggression. During the next three days YAR officials supplied increasingly grave accounts of a deteriorating military situation which suggested South Yemen would soon occupy the southern third of North Yemen. NO one in the Embassy, including the CIA, was able to confirm these reports, which of course were being relayed to Washington. After much persuasion the Ambassador finally permitted me to depart early the morning of 26 February on a grueling eleven hour road trip to the southern regions of the country, including a visit to a military camp located at a critical road junction near the Red Sea. This camp had reportedly been hit by rocket fire the night of February 24. Although I never left the main highway (Ambassador's explicit instructions) and therefore was never closer than 30 kilometers from the reported fighting (with the exception of my visit to the camp reportedly attacked), I did not observe a single indication of increased military activity or military traffic which would support reports of serious fighting in the area. People in the large, southern city of Taiz were going about their business as usual, and no one I talked to knew anything about fighting along the border. I returned to Sana and sent off a quick report to Defense Intelligence Agency (DIA) detailing my observations.

That evening we were again summoned by the YAR president, who sketched the military situation for us as it existed along the border. He then gave us a long list of equipment which he needed from his American friends to turn back the Soviet supported aggression from the south. The fact that his list included patrol boats for his navy signaled that perhaps all was not as was reported along the border (the fighting was in the mountains not on the coast), especially in view of my observations during my road trip south that same day.

A day or two later, our CIA station chief began to receive confirmation of the seriousness of the fighting from his sources. I was unable to do so, either from personal observation, or from my sources. I continued to report my inability to confirm to DIA. I need mention here that in spite of the YAR president's invitation to visit the border regions to observe the fighting, he refused to grant this permission on the many occasions when the Ambassador requested necessary arrangements be made for me to visit. I should also mention I made all my trips south along the main road during the period of reported fighting, and to the actual areas of fighting after the cessation of hostilities, without the permission of YAR officials. All requests to do so had been refused.

On the second of March I remarked to the ambassador's deputy on the persistence of my belief that the fighting was not all it was being made out to be. This resulted in an angry outburst soundly criticizing "my negative attitude which was not making any contribution to the country team effort." I was informed the embassy was being pressed by State to take a firm stand one way or the other. It was time to fish or cut bait. So in view of what they were getting from YAR officials, the CIA from its sources, and our military assistance office from military headquarters, the ambassador had decided to go along with accounts of a very serious situation and make policy recommendations to Washington accordingly.

Now a minority of one, I continued my efforts to obtain confirmation and report as objectively as possible. Increasingly this proved very difficult because of the ambassador's refusal to release my reports until after he had "toned" them down. In one report I stated, "Briefings received from YAR president and government officials indicate situation very serious. Information available from other than government sources, although sketchy, does not support seriousness of situation." The ambassador objected and deleted this from my report. In another report I related a radio conversation with a source who was close enough to the fighting to hear artillery fire. He had concluded from his observations he saw no immediate danger of PDRY forces moving west along a certain road and posing a threat to his own personnel or to cut the country in half. The ambassador's comment on this report was that my source's "rather upbeat description of the situation in the area may have been influenced by his fear of being overheard by YAR military (by radio intercept)." On the 7th of March I wrote a lengthy report based upon information from sources which indicated the PDRY was never in a position to cut the main north-south highway at a point 140 kilometers south of Sana on the 4th and 5th of March as reported by YAR officials. After a long discussion with the ambassador, I "agreed" to completely rewrite two pages of the report per his suggestions, leaving out some information. At one point in this report I had written that as of March 4 fighting had not yet occurred in two villages located along a route critical to getting forces in position to cut the main highway. In the margin of my original submission, the ambassador had written his comment on this information, "we are inclined to think this remark based on ignorance. YAR Chief of Staff reported these villages were receiving heavy BM 21 and BM 25 rocket fire on March 4." Saudis have also reported from their sources that there was heavy fighting in this area on that day." (I later confirmed beyond question there had been no fighting in these two villages). Before long I became quite profficient at writing in a way which insured my reports would make it through the ambassador's censor mill without too many changes or deletions and yet convey my meaning between the lines to DIA's analysts. I wish to emphasize here that an ambassador's interfering with reporting is closer to the rule than the exception. I know through personal friends of three other Middle East embassies where this is true.

By the end of April I was able to visit the areas of allegedly serious fighting. I also had the opportunity to debrief members of the Arab League Military Committee on their observations of the PDRY withdrawal from North Yemen. In addition, I spent considerable time talking with a Yemeni officer who had participated in the fighting in two areas along the border. From all of this information I prepared an after-action-report on the war. I concluded the situation as presented by YAR officials was grossly exaggerated. Based upon information from various sources and personal observations, I included a list of 12 things which simply did not happen, things which the embassy and/or the CIA reported to Washington as having happened. Needless to say, my report had quite an impact when it reached Washington, for it arrived when State was already under the gun over policy recommendations they had made on Yemen.

I followed up my after-action-report with a letter to the Attache Affairs Office in Washington on the subject of "intelligence failure." In this letter I detailed the fact that not all information on the fighting was able to leave the embassy unimpeded so as to be available to decision makers in Washington. I also suggested my experiences in Yemen were perhaps a microcosm of what is happening in other embassies, contributing to foreign policy reverses which seem to have increased recently. I'll come back to this point later.

Returning to my February 26 road trip to the southern part of the country during the reported fighting, I wish to emphasize that my observations during the trip, or rather, my lack of any observations of significant military activity, constituted what intelligence professionals refer to as the first bit of "hard" intelligence we had on the fighting. Although other members of the country team did not agree with me on this, analysts at DIA saw my report for what it was — the first indicator the situation might not be as serious as depicted by YAR officials. Accordingly, other methods of intelligence collection were targeted at the Yemens in an attempt to confirm or deny my road trip observations. Although I did not learn of this until much later, by the 2nd of March DIA had collected and processed intelligence information confirming my observations, and concluded the situation was not at all serious. (They did not give me the support I needed very much psychologically by informing me I was correct in my observations, because, as incredible as it may seem, I did not have the level of security clearance required to receive their evaluation of my report!) It is my understanding this information was presented to the National Security Council on the second of March by the Chairman of the Joint Chiefs of Staff. Allegedly he presented the intelligence information and said something like, "I don't care what State or CIA is reporting on the situation in Yemen. There is nothing there to get excited over."

On another occasion (long after the events) another associate (who was a key member of the defense intelligence community at the time) expressed his opinion that DIA was never consulted or asked for its estimate of the situation in Yemen in connection with President Carter's decision to accelerate arms deliveries to Yemen. It seems the Administration was determined to go ahead and exercise the waiver authority in the War Powers Act and ship the arms without Congressional approval. If you recall, in justifying the decision to use the waiver authority in order to expedite the delivery of arms to Yemen, the Administration stated the decision was necessary to first, show United States resolve to our Yemeni friends, secondly, to show our willingness to protect vital national interests in that part of the world to our Saudi ally, and, finally, to send a signal to the Soviets we were serious about meeting Soviet encroachment into the Arabian Peninsula.

CONCLUSION

In conclusion I would first like to re-address my two basic themes. I have outlined in considerable detail the manner in which we subordinated our policy toward North Yemen to that of Saudi Arabia in the interest of economy and in our desire to see Saudi Arabia as the strong man of the region. This decision foreclosed the possibility of any policy iniatives on our part toward North Yemen. We had become for all intents and purposes the Siamese twin of the Saudis who had made themselves thoroughly objectionable to the North Yemenis. During the border war, North Yemen made what I feel was a last, desparate attempt to separate us from our odious twin and establish a direct relationship with the United States. Failing to do so, they felt they had no recourse but to turn to the Soviets. As one high ranking Yemeni officer once told me, "It is something the Saudis are pushing us to do, even though we do not want to. It is the only way our country can get out from under their control and influence."

Concerning the question of impeding the flow of intelligence information, I would like to refer to President Carter's 1980 State of the Union message where he states, "we need to remove unwarranted restraints on our ability to collect intelligence and to tighten our controls on sensitive intelligence information... An effective intelligence capability is vital to our national security." I believe our country has an effective intelligence capability. The problem, which was brought home to me so often during my military career, is that our decision makers and policy makers never receive all available intelligence, or if they do, have so often decided against using it if it did not suit their political purpose. I have briefly outlined the manner in which all available intelligence information was not permitted to flow unimpeded out of Embassy Sana during the border fighting between the two Yemens. Having lived that unfortunate experience, I feel qualified to comment as I have and to fear that this case is not unique.

My comments relative to the decision making process in Washington at the time of the fighting are perhaps made from the perspective of little information available in an isolated post 8000 miles removed from our nation's capital. The first reason given for President Carter exercising his waiver authority in rushing arms to Yemen was the need to show United States resolve to our Yemeni friends. We all know our Yemeni friends have since concluded an arms agreement with the Soviet Union at least twice as large as our equipment package. So much for our Yemeni friends. They were obviously unimpressed with our resolve. In showing our willingness to protect vital national interests in that part of the world to our Saudi ally, we overreacted in Saudi eyes. To them, the rapid infusion of large quantities of western arms into Yemen was alarming. After all, their policy toward Yemen these past few years had been one of creating the semblance of modernizing Yemen's military, while not actually doing so. In their perception, they had no choice but to deliberately drag their feet on training and deliveries of ammunition for the planes and tanks. This then played right into the Soviet scheme of things in their efforts to convince the Yemenis that their U.S. and Saudi friends were unreliable. The Administration's desire to send a signal to the Soviets that we were serious about meeting Soviet encroachment in the Arabian Peninsula was equally ineffective. The Soviets knew better than anyone else the situation during the border fighting was grossly exagerated. They saw through the ploy of panicky exageration of foreign crisis for exploitation for domestic political benefit.

On July 6,1979, after not receiving a response to my "intelligence failure" letter from General Atkinson, head of the Office of Attache Affairs, as he had earlier promised, I called Lt Colonel David Holmes, my desk officer in Attache Affairs, while I was in Germany. He explained that I would not be hearing from General Atkinson as promised, and that my reported intelligence failure was now a dead issue. "Let me put it this way," Lt Colonel Holmes said, "If Yemen had not happened at that particular time, it would have been invented."

It seems to me we disastrously escalated our involvement in Vietnam as the result of an attack on an American warship in the Gulf of Tonkin which never occurred. I cannot help but view what happened in Yemen as a Middle East version of the Gulf of Tonkin incident. That venture led to ultimate disaster in our foreign policy. Today in the region of the Middle East, our foreign policy is heading in the same direction for many of the same reasons.

Mr. **Hamilton**. Thank you very much.
Dr. Zonis.

STATEMENT OF MARVIN ZONIS, PROFESSOR, UNIVERSITY OF CHICAGO

"EXPORTING" REVOLUTION

Mr. **Zonis**. The point that I tried to make in my paper is that Ayatollah Khomeini and his followers among the ruling circles in Iran are generally committed to "exporting" the Iranian Revolution. This is evident from the speeches of Ayatollah Khomeini the most recent of which was on the occasion of the Iranian New Year on March 21, 1980. Then he spent considerable time urging his followers to spread the revolution to all Islamic countries.

This notion originates, however, in the first examples of his writings and speeches that we have in Persian and in Arabic, from the late 1950's and early 1960's. Therefore, I think we have to take his commitment to the goal of exporting the revolution seriously and not primarily as a political stratagem to be used to mobilize Iranian domestic opinion behind his own rule.

Also, there are two key groups among Iranian ruling circles that share this goal for their own political purposes and who are supported by extra Iranian forces in pursuit. The first group is known as "Amal" and is made up of Shiites originally based in Lebanon, many of them are of Persian background who had fled the Shah's rule to settle there among Lebanese Shiites. They then received training from the Palestinian Liberation Organization and participated with the PLO in the defense of refugee camps in Beirut. With the overthrow of the Shah, they returned in great numbers to Iran where they took up key security and defense positions in Khomeini's regime.

The present Minister of Defense of Iran is a longtime key figure in the Amal group. Thus, the principal holders of security positions in Iran have important and direct links with the PLO, who are themselves committed to goals similar to Ayatollah Khomeini; that is, to export the revolution.

A second key group is known as Fedayan-e Islam, an Iranian group begun in 1941, the purpose of which is to achieve Islamic goals by means of assassinating political opponents. The leader of this group is none other than the illustrious Ayatollah Khalkhali, the so-called revolutionary judge of Iran. He was the subject of American television coverage while desecrating the bodies of the American servicemen who died in the failed rescue effort. This group receives aid and support from Colonel Qaddhafi. Ayatollah Khalkhali visited Colonel Qaddhafi in Libya only a few weeks ago, before the so-called rescue mission.

These then are the key groups among the political elite of Iran committed to the support of Khomeini and to the goal of exporting the revolution. Both receive support from forces outside Iran with the capability to aid them in their goal. But the relations between the PLO and Colonel Qaddhafi have not always been amicable and politics in Iran now partially reflect larger conflicts within the Arab world.

How is the commitment to exporting revolution manifest at the moment? The political chaos in Iran is so great that the commitment is demonstrated primarily through propaganda, especially by broadcast of the Voice of Iran sending emissaries and religious dignitaries to Persian Gulf countries. Iran also has attempted to disrupt the regime of President Saddam Hussein in Iraq even by attempting to assassinate him.

IMPACT OF REVOLUTION BEYOND IRAN

Were the Iranian regime to consolidate power, I think we would see much more significant contributions to the goal of bringing about radical revolutionary Islamic regimes across the Persian Gulf. For the time being, given the lack of capability of the regime in Tehran, the commitment is not translated into tangible assistance beyond those few tentative measures that I mentioned.

Nonetheless, I think we have already seen examples of significant spillover from the Iranian revolution, not only among Shiite groups across the Persian Gulf but also among non-Shiite Muslims, as well. The dramatic effects of the Iranian revolution and the continued call for revolution on the part of Ayatollah Khomeini will disrupt the political situation within neighboring countries without stable regimes. That is, the immediate effect of Iran's revolution will be to exacerbate current political tensions rather than cure them.

The crucial thing for us to keep in mind, as a nation with vital interest in that region is that we cannot respond productively to those political instabilities through military means. These instabilities are primarily political problems that must be dealt with in a political fashion. American military power cannot be used to prop up or aid indigenous regimes deal with political demands that emanate from their own populations, whatever the extent to which they are mobilized by a call for revolution on the part of Ayatollah Khomeini.

Thank you very much.

[Mr. Zonis' prepared statement follows:]

PREPARED STATEMENT OF MARVIN ZONIS, PROFESSOR, THE UNIVERSITY OF CHICAGO

EXPORTING THE IRANIAN REVOLUTION: UNITED STATES SECURITY IN THE PERSIAN GULF

The continued holding of U. S. diplomats as hostages by the so-called "Student-Militants" with the connivance of Ayatollah Khomeini and the government of Iran, introduces a particularly destabilizing element into efforts to consolidate the Iranian Revolution. The longer the hostages are held, the more will the central power in Iran be elusive and impossible to construct and the more will the fragmentation of the political system as well as of the country proceed.

The hostages themselves are intrinsically unimportant actors in the drama of Iranian politics in which they are being so badly used. Essentially, their continued existence makes possible the continued power of the "student-militants". The "student-militants" serve as a countervailing power center to that of the office of President Bani Sadr and prevent his consolidating his non-clerical hold over the apparatus of government. As long as there are political forces in Iran opposed to his consolidating power and with considerable political resources, the independent existence of the students will be sustained. Two results follow. On the one hand, it is unlikely that the hostages will be released. On the other hand, the internal chaos of Iran will be exacerbated.

But irrespective of the hostages themselves, the likelihood of chaos and perhaps, even fragmentation in Iran is quite high in the forthcoming months. The litany of major and minor disasters which now characterize Iran has been frequently recited. Disastrous economic conditions, declining oil revenues, internal subversion and terrorism, demands for autonomy backed by armed ethnic and tribal groups, the declining health of Ayatollah Khomeini, the inability of revolutionary leaders to agree on a central ideology or set of political tasks for the new regime, the activities of opposition groups, the destabilizing presence of the Soviet troops in Afghanistan as well as the threat posed from Soviet troops along Iran's northern border all, along with many other factors, serve to contribute to political tensions and the real possibility of fragmentation in Iran. Political leaders have responded in diverse ways to their perceptions of the level of threat to the safety of the Iranian Revolution. One common response has been an attempt to mobilize conflicting domestic political forces in the face of a common enemy. One function which the hostage-taking served in the first months after the capture of the United States Embassy on November 4, 1979, was to serve as just such a focus. Popular enthusiasm seemed then to be genuinely supportive of the student-militants and the regime and to be relatively easily mobilized behind them against the United States as tangibly symbolized by the U. S. Embassy, then jubilantly referred to as "the nest of espionage", being held by the "student-militants". In more recent months, the hostages and the captured Embassy seem to have lost their magic for even the urban masses of Tehran and the regime has moved on to other devices for mobilization of domestic opinion on its behalf.

Foremost amongst those in terms of the immediacy of the threat has been the campaigns against Iraq. The regime has struggled to mobilize public opinion on the grounds of imminent threat from Iran's powerful and traditionally hostile Arab neighbor. Additional foci of mobilization have been internal political groups such as the Kurds.

All too often, the autonomy struggle of those groups has been manufactured by the central political authorities in Tehran as an excuse for additional attempts at political mobilization. The impetus for the demands of such groups for autonomy, in short, has frequently been a response to military actions initiated by the regime, actions initiated in the interest of political mobilization rather than in maintaining political unification.

Yet another technique for political mobilization has been a focus on the need to "export" the Iranian Revolution. Much like the debates which occurred in the Soviet Union shortly after the overthrow of the Kerensky regime, there have been debates in Iran about the possibilities of an "Islamic Republic" surviving in Iran without other Islamic republics being formed in the countries adjacent to Iran, the initiator of the revolutionary wave. In the first fervor following the success of the revolution, there has been no need to reach a decision as to whether or not it will be possible for the Islamic Republic of Iran to continue in isolation. Rather, this has been a period in which most political forces have been mobilized behind the goal of exporting the revolution to neighboring states.

Certainly this device served to mitigate, to some extent, the intensity of domestic political squabbles. It also helps mobilize the urban populations of Iran behind the regime . against foreign, "anti-Islamic" political leaders who are "agents of imperialism". But the desire to export the Iranian revolution is also part of a genuine commitment by many of the revolutionary leaders, outstanding of whom is Ayatollah Khomeini, to transform the Islamic world into a unified, independent, bastion of political power.

In his speeches and writings, especially since his exile from Iran in 1964, Ayatollah Khomeini has made that position perfectly clear. As committed as he was from that time to the goal of overthrowing the Shah of Iran and eliminating Western influences from Iran, he also was committed to the goal of transforming the Islamic world as a whole. It would be wrong, therefore, to understand the emphasis on the export of the revolution as merely a temporary tactical response to political chaos in Iran. Rather, the goal of exporting the revolution must be understood as central to the meaning of the Khomeini revolution.

The Ayatollah does not hesitate to state and restate his commitment to this goal. As recently as his message to the Iranian people on the occasion of the Iranian New Year on March 21, 1980, Ayatollah Khomeini said:

> In the name of God, the compassionate, the merciful. Noble Iranian nation. . . . The will of Almighty God, may He be praised, decreed the release of this oppressed nation from the yoke of the tyranny and crimes of the satanical regime and from the yoke of the domination of oppressive powers, especially the government of the world devouring America. . . . It is our duty to stand up to the super-powers and we have the ability to stand up against them provided that our intellectuals give up their fascination with Westernization or Easternization and follow the straight path of Islam and nationalism.
>
> We are fighting against international communism to the same degree that we are fighting against the western world devourers led by America, Israel, and Zionism. My dear friends, you should know that the danger from the communist powers is not less than America and the danger of America is such that if we show the slightest negligence we shall be destroyed. Both super-powers have risen for the obliteration of the oppressed nations and we should support the oppressed peoples of the world.
>
> We should try hard to export our revolution to the world. We should set aside the thought that we do not export our revolution, because Islam does not regard various Islamic countries differently and is the supporter of all the oppressed peoples of the world. On the other hand, all the super-powers and all the powers have risen to destroy us. If we remain in an enclosed environment we shall definitely face defeat. . . .
>
> My dear youth . . . take the Koran in the one hand and the weapon in the other and so defend your dignity and honor that you can deprive them of the power of thinking and plotting against you. . . .Be aware that today's world is the world of oppressed people and that, sooner or later, their's is the victory. The oppressed are the ones who shall inherit the earth and shall govern by God's degree.
>
> Once again, I announce my support for all movements, fronts, and groups which are fighting in order to escape from the claws of the Eastern or Western super-powers. . .(Foreign Broadcast Information Service--Middle East/Africa--80--058, 24 March, 1980, Vol. 5, No. 058, Supplement 070)

These words of the Ayatollah, which he has stated in so many different forms for so many different years, are echoed by the other key actors among the Iranian ruling circles, most importantly by four individuals who have emerged as unusually significant: Ahmad Khomeini, the son of the Ayatollah;

Ayatollah Mohammad Beheshti, the Chairman of the Islamic Republic Party and strong opponent of President Bani Sadr; Ayatollah Khalkhali, the revolutionary prosecutor of Iran; and Mostafa Chamran, the Defense Minister of the Islamic Republic.

One particularly menacing aspect of the support of these individuals for Ayatollah Khomeini's policy of exporting the Iranian Revolution is that they represent not only larger groups within the Iranian political system but also groups with important ties to radical and revolutionary Islamic and nationalist groups in the Middle East. Thus, Ayatollah Khalkhali is widely known as one of the key leaders of the Iranian group known as the Fedayan-e Islam. This group is a contemporary manifestation of that responsible for the assassinations of noted Iranians beginning during World War II when they were responsible for killing Ahmad Kasravi, the Islamic reformist thinker and judge. They have also claimed responsibility for the assassination of Prime Minister Razmara, whose death made possible the appointment of Mossadegh as well as that of Prime Minister Hassan Ali Mansour, in 1965. Under the leadership of the Ayatollah Khalkhali, this group has been assigned responsibility for "revolutionary justice" and control of courts, prisons and a para-military force in the new Iran.

The Fedayan-e Islam are strongly supported by important religious leaders in Iran including, at least the son of Ayatollah Montazeri, known as Sheikh Muhammad. The latter political activist was recently elected to the new Iranian parliament and travels with a coterie of armed retainers with whom he hijacked an airplane to Syria from Tehran. He is also responsible for the invitation to visit Iran tendered to Libyan Prime Minister Jalloud. This was allegedly done without the knowledge of either Ayatollah Khomeini or then Foreign Minister Yazdi.

The point is that the group is highly committed to and ardently supported by Colonel Qaddhafi who share with them, at the very least, a commitment to a vision of Pan Islam and radical Muslim purity which leads to the support of terrorist and radical revolutionary groups throughout the Middle East.

The Defense Minister of Iran, Mr. Chamran, is known as a central figure in the Iranian group called "Amal". The Amal group is made up of Persians and Arabs who worked with Shi'ites in southern Lebanon under the leadership of the spiritual head of the Lebanese Shi'ite community, Imam Musa Sadr. This group received military training from the Palestinian Liberation Organization and participated in a number of PLO operations both within and without Lebanon. Chamran holds the post not only of Minister of Defense but is also at least indirectly in charge of the Pasdaran, the Revolutionary Guards assigned central responsibility for protecting the Islamic Republic. The group has important links to Ahmad Khomeini inasmuch as the latter is married to a niece of Imam Musa Sadr.

Given that Colonel Quaddhafi is widely believed to have been responsible for the murder of Imam Musa Sadr in a Libyan prison, there is heightened tension between the Iranian political leaders affiliated with Amal, with its links to Lebanon and the PLO and those leaders affiliated to the Fedayan, with its links to Libya. Both groups are working for exacerbating revolutionary tensions in Iran and throughout the Middle East. Both groups are competing within Iran for prestige and power. Both have important ties to extra Iranian political forces. As a result, while they engage in bitter internal disputes in Iran, disputes which in many ways mirror the larger conflicts within the Islamic world itself, they do share the common goal of exporting the Islamic revolution. The Ayatollah's sentiments, in short, are widely supported among key elements of the present circles.

This can be clearly seen from a close scrutiny of the materials broadcast over the Iranian state radio in Persian and aimed at the domestic Iranian audience in comparison with the materials broadcast in Arabic and beamed towards listeners in the Middle East outside of Iran. Persian language broadcasts are relatively sober and understated. They often portray a clear and analytical view of both internal Iranian and international developments.

The Arab language broadcasts, especially those on shortwave, are considerably different. They contain dramatic revolutionary rhetoric and radical calls for the overthrow of all regimes in the Persian Gulf. They call for the unity of all Muslims, irrespective of their religious sects within the faith, and brand all Muslim leaders, other than Ayatollah Khomeini, agents of either the East or the West. The broadcasts are additionally menacing to Middle Eastern regimes inasmuch as they make a plea directly to the lowest social strata in each of the Arab countries. The broadcasts explain inequalities in Arab states as resulting from a failure of those states to subscribe to the laws of Islam due to the rapaciousness and injustice of their own rulers and the domination of their societies by the United States.

There are disquieting indications that the message of Ayatollah Khomeini has been received by its intended audience. There are indications of considerable unrest among significant proportions of the populations of countries neighboring Iran including Iraq, Saudi Arabia, the United Arab Emirates, and Bahrain. The message has also clearly reached Lebanon, where renewed political activity including armed struggle has been reported on the part of Shi'ite groups. In these countries, those principally affected by the Ayatollah's message seem to be communities of Shi'ite Muslims. They are frequently the most disenfranchised elements of the countries in which they reside, in both a political and economic sense. Those Shi'ites living across the Persian Gulf from Iran generally immigrated from Iran in search of employment which they found as manual laborers at the bottom of the social structure while being deprived of political rights. The Shi'ites in Iraq, on the other hand, constitute a majority of the population and have lived in what is now Iraq for centuries. They have never been able to wield political power in that country and to the contrary, under the Ba'ath regime they have been systematically denied positions of political responsibility.

But this is not simply a matter of a revolutionary message being responded to by disenfranchised Shi'ites. There is evidence for believing that the message has been disquieting among Sunni Muslim as well as relatively secularized groups. Turmoil in Turkey, Kuwait, and Syria can be tied to the message of the Ayatollah, the spill-over effects of the Iranian revolution.

In all of these countries similar phenomenon have occurred--demonstrations, riots, shootings, demands for change in the internal political and social structures have been made. Consequences everywhere seem similar: weakening of the indigenous state structure and the heightened possibility for domestic political turmoil. In many of the countries, the responses of the regimes have also been similar--repression coupled with a renewal of Islamic fervor, a push for Islamic orthodoxy.

For the time being, none of the regimes which have faced challenges from their own populations as a result of the spill-over effects of the Iranian Revolution have been seriously threatened. All the demonstrations and demands for change seem to have been effectively managed for the short-run. But the continued attempt by Iranian leaders to export their revolution in combination with ineffective rule in Arab states could foretell more serious unrest in the future. This is especially the case if the Iranian regime manages to consolidate power under its present leadership. In that case, there would be the possibility of their providing more significant assistance to those sectors of the populations of neighboring Arab States who are sympathetic to the call for radical revolution. Given that the call for revolution by Ayatollah Khomeini is not merely his political response to the difficulties of consolidating the revolution, but represents a fundamental component of his thinking about the Islamic world vis a vis non Islamic states, we must assume that Iranian pressures for additional revolutions will continue in the event that he and his followers or his successors manage to consolidate their hold over Iran.

To repeat, the call for international Islamic Revolution, does, of course, have an important domestic function. It is used by Ayatollah Khomeini to mobilize the Iranian population behind his rule. The portrayal as standing alone against the principal super-powers and their corrupt ruling henchmen in countries throughout the Middle East is an important source of Islamic purity and respectibility for the Ayatollah who managed to overthrow a regime which he successfully portrayed as beholden to the United States. His call for Islamic Revolution can be seen as a further extension of his desire to humiliate the United States to demonstrate its inability to control events in the world, especially in an Islamic Middle East responding to the call of the Ayatollah for international revolution. Iranians will thus more ardently rally to Khomeini's side for the grandiosity which they experience from their successes at having challenged and overcome the United States, "the world devouring mother of corruption" as this country was portrayed by him.

Several important conclusions follow from this analysis:

1) Virtually every major segment of the Iranian political leadership committed to the Khomeini revolution shares a call for international Islamic Revolution. While this call clearly plays a role in the domestic politics of Iran and is used as the hostages are used, as a counter in the game of gaining power within

the political system, it is more. The call for revolution is a genuine expression of an ideological position long ago staked out by Ayatollah Khomeini and widely shared by his principal followers. The Iranian leadership is committed to the overthrow of the rulers of other Islamic states, especially those neighboring Iran.

2) To the extent that the present regime in Iran is successful in consolidating political control, the result will be greater pressures for international revolution. While there will be a diminution in the need to use the call for such revolution for domestic political purposes within Iran, the regime will have greater resources to realize its more fundamental ideological ambitions of radicalizing the Islamic world.

3) The Ayatollah Khomeini is seen principally as an Iranian and a Shi'ite religious leader. Given longstanding racial animosities between Iranians and Arabs and religious animosities between Shi'ites and Sunnis, the appeal of his call for Islamic revolution is lessened. Nonetheless, there has been evidence over the past several months that both Shi'ite and non-Shi'ite elements among the populations of Arab states have responded positively to his messages.

4) There are many reasons to expect political unrest in the Islamic Middle East especially in those countries bordering the Persian Gulf in the future. One source of this unrest will be the call for revolution issued by Ayatollah Khomeini. But there are certainly others. It would be a gross exaggeration of the political conditions facing the rulers of the Persian Gulf states to assume that the principal source of stability confronting them is the call for revolution issued by the Iranian ruler across the Gulf. To do so would be to misunderstand the nature of the socio and political conditions of those countries in as serious a fashion as is done by those people who see Khomeini as principally responsible for the overthrow of the Shah. More important than

Khomeini's call are the socio-economic and political conditions of the populations of the Arab states. It is the constellation of these factors which will contribute to unrest in the region over time.

5) The unrest which can be expected over time will negatively effect United States interests in the region. Foremost amongst these interests, of course, are an uninterrupted supply of petroleum, preferably at high quantities and low costs. But in additon to these interests which will not be realized, other problems connected with the investment of petro-dollar surpluses in the United States, the awarding of contracts to American firms, as well as political turmoil directed against U.S. interests in the region can be anticipated.

6) To the extent that the American response to these challenges is primarily military, that response will not be efficacious. United States military power brought to the region either in the form of a Rapid Deployment Force and the pre-positioning of material or even the actual stationing of combat troops in the region will not be useful in dealing with the unrest produced by the call for revolution by Ayatollah Khomeini.

7) His call must be understood as a political message requiring a political response. In the first instance, that response must come from the states involved and not from the United States. The response by those states must be primarily political.

8) The United States can and, indeed, must contribute, where possible, to enhancing the capability of the regimes of the Persian Gulf to cope with internal political stress inspired from whatever source, not only from Iran or the Islamic Revival in general, but also from rapid social change, the dissatisfaction of foreign laborers, etc.

9) The United States must certainly improve its own capability to monitor, analyze

and respond politically to such sources of unrest and political stress in Persian Gulf regimes in conventional diplomatic--political ways. Perhaps the greatest long-term danger to American interests in the region is the belief in the United States that the principal challenge which confronts the United States there stems from sources which can be dealt with in a military fashion. A United States' military capability in the region has its utility and can be seen as an essential component of America's need to project power into the region. But that is entirely different from the assumption that the projection of American power will be useful for containing political turmoil within Persian Gulf states, whether that turmoil is inspired by the Ayatollah Khomeini or emanates from other causes. There is no military "quick fix" to the unfolding political dilemmas of the Gulf's regimes.

Mr. Hamilton. Thank you very much.
Dr. Quandt.

STATEMENT OF WILLIAM B. QUANDT, SENIOR FELLOW, BROOKINGS INSTITUTION

Mr. Quandt. Thank you, Mr. Chairman. I'll direct my oral comments to the Carter doctrine and specifically our relations with Saudi Arabia and how they are affected by some of what we're trying to do in the Middle East today.

CARTER DOCTRINE

I think the Carter doctrine is in many ways a response to the Iranian Revolution. The Iranian revolution demonstrated the weakness of our policy of relying on regional surrogates to protect our interests in the Middle East, which has been known as the Nixon doctrine. This had, in a sense, been a stopgap measure to deal with the difficulty of protecting our interests at a time when we were deeply engaged in the Vietnam war and unable to spare many resources in dealing with our interests in the Middle East. The Iranian revolution has brought home the futility of trying to depend on surrogates to look after vital interests of the United States. Those interests are vital, including as they do oil and the ability to contain the expansion of Soviet power.

The question that we now confront is how to protect these interests in the aftermath of the demise of the previous policy—that had been rather comforting to us—of depending on regional surrogates to look after our interests. That policy seems to me no longer valid.

One excessively simplistic answer is that all we need to do is to spend more on the military and find some bases in the area and that will convince the countries of our resolve, and will deter the Soviets in their military moves. It is not going to be quite that simple. Military power does matter as a part of overall strategy. In that sense the Carter doctrine, insofar as I understand what it means at all, is setting some guidelines for enhancing our ability to act militarily in the region. But we need to avoid the simplistic notion that that is all we need to do to protect our interests. Basically, the political and diplomatic dimensions of the Carter doctrine will be the most important ones for determining whether the strategy has a chance of surviving through the 1980's.

There is no quick fix to the problems we face in the area. Obtaining access to bases will not in and of itself answer all of our strategic problems. Basically we need to think politically as well as militarily.

SAUDI ARABIA

It is with that cautionary note in mind that I would like to say a few words about Saudi Arabia, because the test of our success or failure in protecting our interests in the Middle East in the next decade will depend very heavily on how we manage to protect our oil interests. And that means how we will manage our relationship with Saudi Arabia, which is, of course, the largest oil producer.

The Saudis have been acutely aware, perhaps more aware than any other country in the Middle East, of how greatly they depend upon the United States ultimately to help protect them against forces of destabilization in the region and particularly from Soviet power, exercised directly or indirectly.

At the same time, in the current mood that exists in that part of the world, the Saudis are wary of having too close an embrace from the United States, so we find the anomaly of a country which in many ways is most dependent upon our being reluctant to offer us the kind of facilities and bases that we think might help us deal with the problems of the area.

Why is this? The first answer of course is that Saudi Arabia is a part of a region in which the Saudis have to worry about other interests than simply relations with the United States. They are an Arab country, an Islamic country, and these ties also matter to them, in many cases more than their ties to the United States.

In addition, at present in the Middle East there are many doubts about the reliability of depending on the United States. We have not had an exemplary record in recent years of helping our friends and allies confront problems. I'm afraid that the situation in Iran in recent years has added to the doubts of many regimes in the area of whether in extreme circumstances we would be able to come to their help or would have the will to do so.

There is a certain disinclination to be excessively dependent on the United States, given the record of the recent past. The rescue operation in Iran having failed will probably reinforce this belief that the United States is not particularly reliable as an ally.

THE PALESTINIAN QUESTION

A second bone of contention in the United States-Saudi relationship has to do with the regional politics of the area, particularly the Palestinian question and the effect that has on inter-Arab politics. The American position of support for Israel and our particular approach in dealing with the Palestinian question is not one that the Saudis have thought they could support. Instead they have joined a group of countries which has opposed the Camp David process, and it is often difficult for us to understand why they have taken a relatively extreme position on that issue.

The answer from their point of view is that the solution we propose is not really a solution. Instead, it will leave this issue unresolved long into the future. As a result, the Palestinian question will remain in inter-Arab politics as a source of contention and therefore radicalism. The Saudis are the only Arab country with a resource that is sufficiently important to be taken seriously by the Americans, and they will therefore come under pressure to use that resource for political purposes.

The Saudis very much want to be out of the position of being under pressure from the Arabs to use oil as a political weapon and under pressure from us not to do so. The only way out, as they see it, is for the Palestinian issue to be on its way to resolution, even though they seem to be fairly realistic about how long that may take. What they cannot tolerate over any long period of time is the impression that the United States has given up entirely on this issue. So some degree of credible movement toward a solution of that issue is important to them, at least as they see regional politics today.

The third point about the Saudis' timidity in the relationship with the United States has to do with their perception of the Soviet threat. In the aftermath of the Soviet invasion of Afghanistan, we emphasized the Soviet military threat to the area, the ability of the Soviets to bring massive force to bear on countries of the region. The Saudis have worried about that and still do, but they tend to assume that if the Soviets come close to threatening Persian Gulf oil, the United States must see that as a global threat and react with all of its global capabilities; namely, our strategic assets, as well as ones we have in the region.

So they tend to think that the Soviets will be deterred from that kind of overt military move by the nature of the overall global balance of power. However, they see the Soviet threat as having a political and ideological nature that cannot be deterred either by a global balance of power or even by having another base or two or three in the region. They see countries like South Yemen, Ethiopia, Afghanistan, and Libya helping the Soviets, either willingly or perhaps inadvertently, in advancing this political-ideological challenge in the region.

That threat can only be met, they think, by a credible American policy toward the region, not simply by a stronger military posture.

UNITED STATES-SAUDI RELATIONS

Let me conclude with just a few brief comments on specific problems in United States-Saudi relations, particularly mistakes we make and ones that we will have to be more aware of in the future if we wish to manage this relationship successfully. First, because Saudi Arabia has a great deal of oil and is very rich, we tend to see Saudi Arabia as a regional superpower. They are not. They are a small country surrounded by adversaries and enemies. They are acutely aware of their own military weakness, and they cannot be pushed into playing a very large role on the regional stage.

Occasionally we expect much too much of them, falling perhaps prey to the belief that because they are rich they are powerful. We need to be aware of how limited the Saudi resources are when dealing with the problems in the region.

Second, we often have a flawed system of communication with the Saudis. In our diplomacy we tend to listen too much to the words and not to the intent behind the words. The Saudis, at least this generation of Saudi leaders, tend to be quite polite. They are very deferential toward visiting dignitaries, and they do not want to say "no." We Americans tend to like to get down to business and get yes and no answers to rather complex questions. We usually get "maybes": We tend to interpret the "maybes" as "yeses." A case in point was the Camp David agreements. We went out to explain the accords to the Saudis in good conscience. We tried to paint the best possible picture of how this would lead to a broader peace in the region, and the Saudis said we wish you the best of luck. We admire what the President has done. We don't wish any ill to the Egyptian people, period.

We interpreted that as support for Camp David. When that proved to be wrong, we were very angry, bitter, and felt we had been misled. We had not been misled; we just had not understood that the way in which the Saudis had expressed their reservations about Camp David was in their typical elusive, indirect style. We need to understand better what they're saying if we're to avoid these problems in the future.

If we have a moment later on I might say a word about internal Saudi stability. For the moment I think all I will say on that point is that the Mecca incident should not be viewed as excessively important. Saudi Arabia has a fair share of problems internally, but Mecca is not a harbinger of things to come, in my judgment.

The problems that the Saudis will face internally seem to me to lie further down the road and the immediate situation is not so terribly desperate.

Therefore, we have, I think, a period of years ahead in which we can count on relatively stable relations with Saudi Arabia if we are realistic in our own expectations, if we pay more attention to the cues that the Saudis are giving off in their communications with us, if we resist the temptation to try to establish a very large massive American presence in Saudi Arabia, which could ultimately be destabilizing.

If we are realistic about the situation in the area and improve our diplomatic skills in dealing with the Saudis, I think that in the foreseeable future we can count on the Saudis as partners in trying to strengthen an American position in the area, primarily on the diplomatic and political side, not so much on the military side.

With those opening comments, Mr. Chairman, I will end and be happy to take any questions that might come up later.

[Mr. Quandt's prepared statement follows:]

PREPARED STATEMENT OF WILLIAM B. QUANDT, SENIOR FELLOW, THE BROOKINGS INSTITUTION

No area of the world confronts the United States with more challenges and dilemmas than the Middle East. The Iranian revolution, Soviet power, and oil all come together to produce a particularly explosive mixture. Even the Egyptian-Israeli peace treaty has had ambiguous results, for while it has reduced tensions in one corner of the region, it has also polarized the Arab World and brought pressures to bear on U.S. friends such as Jordan and Saudi Arabia.

Compounding these problems is the perception held by many in the Middle East that the Soviet Union is strong and purposeful, while the United States is uncertain, weak, and preoccupied with domestic politics. No doubt the Soviet invasion of Afghanistan alarmed most countries in the region, and their opposition to this blatant aggression against a fellow Muslim state was expressed at the Islamabad Conference earlier this year. The Soviets are not skilled at winning friends. But they are taken seriously.

By contrast, the United States has more genuine friends in the region, but many of them are confused by our policies, discouraged by our apparent weakness, and mystified by our domestic political realities.

During a recent trip to the area, I was repeatedly asked: "Who's in charge of American foreign policy?" The events of the past two weeks will have deepened this concern. Unfortunately, the failure of the rescue operation will reinforce a dangerous tendency in the region to believe that the United States is weak and inconsequential.

Few tasks are more urgent than restoring the strength of the American position in the area. There is no quick fix, however, and much more is involved than displaying military prowess. A serious attempt to repair the damage must involve skillful diplomacy, a credible energy policy, and a strengthening of our ability to bring military power into the region. In our continuing efforts to win the release of the American hostages in Iran, we must be careful not to take actions which will open the way to greater Soviet influence in Iran. Finally, our bilateral relations with a number of countries -- Turkey, Jordan, Pakistan and Saudi Arabia -- require careful attention.

Saudi Arabia is of particular importance to an American strategy for rebuilding influence in the Middle East. Saudi Arabia's position as the world's largest exporter of oil is unchallenged. We and our allies, quite simply, cannot get along without Saudi oil, and there is no chance of changing this unhappy reality in the foreseeable future.

The U.S.-Saudi relationship has had its ups and downs lately. For the moment it appears to be in reasonably good repair, in part because expectations are low on both sides. But there is no reason to be excessively sanguine. It is hardly encouraging to find the Saudis criticizing the recent rescue attempt. If this really reflects official Saudi thinking, it suggests that the Saudi leadership is wary of being too closely identified with the United States. That is cause for concern.

In normal times, the U.S.-Saudi relationship has rested on a strong sense of common interests. The Saudis looked to Washington to deter Soviet adventurism in the area. American oil companies brought untold wealth to Saudi Arabia, and did quite well for themselves in the process. As Saudi Arabia began to modernize its economy, American technology, products and advice were welcomed. Saudi students flocked to American universities. And the Saudi military received most of its arms and training from the United States.

From an American perspective, Saudi Arabia played a crucial role in the world energy picture. Except for the oil embargo of 1973-74, Saudi Arabia was generally predisposed to produce substantial quantities of oil. The Saudis rarely aligned themselves with the price hawks in OPEC, and on occasions used their spare productive capacity to keep prices stable. During the acute phase of the Iranian revolution when virtually all Iranian oil production was lost, Saudi Arabia helped to make up the deficit by raising output to 10.5 million barrels per day.

One serious issue that has persistently divided Saudis and Americans has been the Palestinian question, particularly U.S. support for Israel. The Saudis have long held Israel responsible for the radicalization of Arab politics and the introduction of Soviet influence into the region. Threatened by both these trends, the Saudis have concluded that U.S. pressure on Israel to be more accommodating toward Palestinian rights would be a great contribution to regional stability. They assume that the United States has the influence to induce Israeli moderation, but doubt that we have the will. Domestic politics are often seen as the cause of American reluctance to pursue a settlement of the Palestinian issue aggressively.

For Washington, Saudi Arabia's unwillingness to use its influence with Palestinians and other Arabs to support the Camp David process was a source of disappointment. Saudi Arabia's break with Egypt was particularly regretted, and few accepted the Saudi argument that Riyadh could play a moderating role by joining the opponents of Camp David rather than standing on the sidelines.

The United States and Saudi Arabia are bound to have some differences over the Palestinian issue, but the problem has been compounded by difficulties in communicating effectively with one another. The Saudis specialize in ambiguity, subtlety, and nuance in their diplomatic exchanges. They are rarely confrontational, often elusive, and generally exceedingly polite to visiting emissaries. They often assume that we will understand their true position without their having to state it bluntly. There is something old-fashioned about this style of diplomacy in the modern world, but it is deeply embedded in the culture of the area.

Americans often find it difficult to understand the Saudis. We tend to be straightforward and direct, expecting yes or no answers to our queries. Saudi politeness is often interpreted as consent. After the Camp David Accords, the Saudis told Americans that they appreciated President Carter's efforts, that they hoped for the best, and that they would never take steps to harm the Egyptian people. This was read in Washington as a promise of support for Camp David. No such support was ever implied by the Saudis, but expectations were raised, only to be dashed a few weeks later when the Saudis joined the Baghdad conference in condemning the Egyptian-Israeli agreements. This episode left a bitter feeling on both sides and we are only now recovering from the loss of confidence that occurred because of this faulty communication.

The U.S.-Saudi dialogue today involves regional security issues, the Palestinian question, and oil. The security issues are particularly vexing. Clearly, the Saudis do want the United States to be able to deter Soviet aggression, but they doubt our ability to do so by conventional forces within the region. They therefore rely on the deterrent effect of the overall strategic balance, while worrying that U.S. efforts to build a military presence in the region itself could be destabilizing. On the one hand, the Soviets may act to offset any moves that we make. On the other hand, a large U.S. presence in the Arab world could be a source of political unrest, as was the case in Iran. The Saudis have made it quite clear that they do not want American troops on Saudi soil, and they have been somewhat ambivalent about our attempts to gain access to facilities elsewhere in the region.

Concerning the Palestinian question, the Saudis have modest expectations for the moment. They do not expect the "autonomy" negotiations to produce any useful results. They would just as soon see those talks come to an end in the hope that a new American initiative might be taken next year.

Oil remains an issue of potential controversy. The Saudis have kept production at 9.5 million b.p.d. so far this year and have been charging less than other producers. At the same time, the Saudis have made clear that we should not expect them to produce at this level indefinitely. Nor is it easy for the Saudis to argue for price restraint when U.S. oil company profits hit record highs. Saudi reluctance to see their oil siphoned off to the Strategic Petroleum Reserve is indicative of the conflicting perspectives that exist between Riyadh and Washington.

While there are no simple guidelines for U.S. policy toward Saudi Arabia, a few points should be borne in mind:

- We cannot take the Saudis for granted. When conflicts arise between their Arab and Islamic ties and their relations with the United States, the former will often prevail.
- As we help the Saudis to build their military strength, we should be wary of pressing them to adopt our organizational and doctrinal models. The Saudis value political reliability over operational efficiency. We have no reason to want to see that reversed.

— U.S.-Saudi cooperation on regional security issues will be most productive if we do not seek a large U.S. military presence in Saudi Arabia.

— We should resist the temptation to see Saudi Arabia as a regional superpower. In fact, Saudi Arabia has modest capabilities, is surrounded by hostile countries, and faces serious internal problems of balancing the forces of tradition and modernization. We can help Saudi Arabia deal with external threats. But we cannot engineer her internal developments to ensure stability. Nor can we build Saudi Arabia into a regional watchdog of American interests.

— Saudi Arabia should not be expected to play a conspicuous role in the resolution of the Arab-Israeli conflict. Whatever role she may play will be discreet, tentative, behind-the-scenes. Saudi Arabia is not the key to successful resolution of the Palestinian question.

With these points in mind, we should try to develop modest, realistic expectations about the U.S.-Saudi relationship. If we are seen as credibly contributing to Saudi security and development, we can count on continued cooperation, to some extent, on oil issues. If we develop a serious energy program which constrains demand for oil and builds stockpiles to deal with supply disruptions, the Saudis will be less tempted to use oil for political advantage. If we continue to make serious efforts to find a negotiated solution to the Palestinian issue, the Saudis will be less embarrassed by their close ties to us.

In brief, our common interests are sufficiently strong to provide a solid basis for U.S.-Saudi relations. But we cannot take those relations for granted. Nor can we expect a total identity of views. For the moment, our prestige is low in the Middle East, and this complicates our task. A sustained, serious effort will be needed to restore our credibility as a superpower, and in that effort we will need to marshall not only our military assets, but also our diplomatic skills.

Mr. HAMILTON. Gentlemen, we thank you for your contributions. Each of your statements is very good and helpful to us. I want to begin by focusing on the Carter doctrine and what you think about it. The President enunciated the doctrine in the state of the Union address, I recall, in which he said any attempt by an outside force to gain control of the Persian Gulf region would be regarded as an assault on the vital interests of the United States and that we would be prepared to use military force.

Dr. Zonis and Dr. Quandt both said to us this afternoon that we cannot rely solely on a military response. We must be more conscious of the political and economic aspects of the problems.

What I would like to ask you is what is right and what is wrong in the Carter doctrine? How do you perceive it? And what do you suggest to make it better?

Mr. ZONIS. I have a great deal of trouble understanding what the Carter doctrine would mean in practice. As I can understand it from the state of the Union message and from subsequent glosses, the Carter doctrine seems to be something which I consider dangerous in the sense that its fulfillment requires a military capability that we are not now able to deliver and suggests military processes which we will not be able to control.

Clearly, the United States would have to meet an effort by an outside power to control to our detriment the export of Persian Gulf oil. This would be a major threat to the United States, one which would undoubtedly require a military response.

There is no question in my mind that such a response would be to the point and appropriate. The problem is that the most likely threat, and here, perhaps, I share the perception of Saudi leaders, is not going to be in the form of massive military intervention by an outside power. That type of threat demands a military response and would undoubtedly receive one, although not necessarily in the region of the Persian Gulf itself. Insofar as this represents the principal thrust of the Carter doctrine it is relatively unexceptionable. But, the major security problems of the gulf will not stem from such interventions, but from political turmoil internal to this region which will accelerate toward the end of this decade. That kind of turmoil cannot be responded to by American military power.

Mr. HAMILTON. What do you mean when you talk about political measures? What are you talking about specifically?

POLITICAL MEASURES

Mr. ZONIS. The specific point is to work with the regimes in the region to the extent to aid them to meet continued threats to their own political rule. I do not think the most efficacious means of doing so for them is for them to increase their own level of spending on armaments. I think they confront political issues that require political responses; issues such as political participation, income inequality and financial corruption, value change and crises of cultural authenticity, and issues of justice and morality.

I think that the experience of Iran over the last several years is illustrative. Military hardware did not contribute to preserving the regime, but, to the contrary, it seems to have exacerbated the strains that led to its downfall.

Mr. **Hamilton**. Are you suggesting that we not sell arms to Saudi Arabia?

Mr. **Zonis**. We should sell arms to Saudi Arabia. We do not, I gather, intend to sell arms to the same extent that we did to Iran. The carte blanche policy it seems to me was mistaken. We certainly want to sell arms to Saudi Arabia but we should not allow the Saudi regime to believe that those weapons will allow them to respond usefully to the strains of change. Nor should the United States come to believe that such weapons will help Saudi Arabia meet its internal challenges.

Mr. **Hamilton**. Apart from military weapons, what else do you do to help them strengthen their ability to meet this unrest?

TRANSFORMATION OF SOCIETIES

Mr. **Zonis**. Among the issues I see becoming of increasing political importance are issues which will accompany the transformations of these societies. For example, the issue of income inequality will become highly politicized, especially in the event that there is an economic downturn. That is what happened in Iran during the summer of 1977. People who felt that the extent of income inequality in Iran was insignificant because they eventually would earn riches, suddenly saw the likelihood of their succeeding collapse, with the credit constriction meant to reduce inflation. It is inevitable that income inequality will become a politicized issue.

Second, people inevitably demand the right to participate in their own political system in some sense which they define as meaningful. One key problem is to sustain already extant identifications with the regimes while facilitating new forms of participation for newly mobilized segments of the population, if traditional identifications prove insufficient. The danger, of course, is that a regime may alienate its traditional supporters while failing to win the new groups. Saudi Arabia has already begun to struggle with this problem through the creation of some form of Parliament and elections.

The problem of foreign labor, it seems to me, is a certain third challenge. We can assume over time their political disenfranchisement will no longer be tolerable, because they will be less willing to continue to be bought off economically.

Fourth, another key point which will contribute to political chaos is the widely perceived financial and mutual corruption among ruling houses.

Mr. **Hamilton**. What do we do about these things?

Mr. **Zonis**. We have a limited capability for controlling them or even influencing them. One of the right places to begin is to appreciate our limited ability to alter the situation. But we also ought to feel, it seems to me, that when we have the opportunity we should make every effort to help clarify for people in the region likely sources of chaos and their amelioration.

Mr. **Hamilton**. Should we link arms sales to progress in the domestic areas that you mentioned?

pages tightly bound

Mr. **Zonis.** I do not see any meaningful way to do that. They are two separate issues.

Mr. **Hamilton.** Should we jawbone them?

Mr. **Zonis.** We should jawbone them.

Mr. **Hamilton.** What else?

Mr. **Zonis.** We should try to read the lessons of history to them.

Mr. **Hamilton.** Which ones?

Mr. **Zonis.** The lesson of the Iranian revolution, the kinds of issues that I just talked about.

Mr. **Hamilton.** Mr. Quandt, how about you? What do you think of the Carter doctrine? What's right with it? What's wrong with it?

CARTER DOCTRINE, A RESTATEMENT OF THE OBVIOUS

Mr. **Quandt.** On one level the Carter doctrine is a restatement of the obvious. We have vital interests in the Persian Gulf area and we have to communicate very credibly to others that we are prepared to defend those interests. Anyone who did not understand that prior to the Carter doctrine's enunciation presumably has a better idea now. I think the Soviets understood and most countries of the region understood it.

What bothers me is that if it's being labeled a doctrine, it implies there's more than meets the eye, that there is some grand strategy that we thought through and have the capability to deliver, and the implied commitment.

I would rather have gone about developing the capabilities, political, diplomatic, economic, and military, to defend our interests in the region before labeling anything a Carter doctrine. But politics being what it is, perhaps there is a need every now and then for people to attach their names to sensible policies and claim credit for them. I don't question that it had to happen perhaps in this particular year.

Nonetheless, the question is what capabilities do we have today that we did not have before the Carter doctrine was enunciated? It seems to me we have made a modest amount of progress on one front; namely, the military front. We have to have the capability of some sort to bring into the region to deal with some kinds of contingencies. We have been rather negligent of that need in the past.

Now we have more impressive naval activity in the area and I expect we will stay there, cost to the Mediterranean, the Pacific. We will have to balance it out, but we clearly need naval assets in the Persian Gulf area. We need "facilities." The word is properly chosen by the administration, rather than bases. The problem is they may be tempted to turn facilities into bases but they need facilities, which means understanding with regimes on the conditions under which we can gain access to such facilities, some pre-positioning, some airstrips, naval facilities that we can go to quickly with some degree of assurance.

All that is worth doing and is received well in Kenya and Oman, ss in Somalia. In Egypt we've made progress along those lines. The military side of it seems to be the easy part to solve—spending more money, redeploying some assets, gaining some new assets, and develop-
ng the political infrastructure to support it.

Our efforts will come to naught if regimes in the area eventually conclude that we are not reliable, if they do not want to be too closely associated with us and our relations with the region generally are more of a liability than an asset. Particularly for the Arab world, that means we cannot be seen as uninterested in the broader issue of an Arab-Israeli accommodation, for example. We have to remain a credible diplomatic force for progress there, to maintain our relations with other countries on the periphery.

Mr. HAMILTON. Are the Camp David Accords the credible effort?

Mr. QUANDT. That depends. They could become so if we took them seriously and put a lot of effort into putting content into them. We're 11 months into the effort. So far little has come out of it.

Mr. HAMILTON. The Saudis do not think it is a credible effort?

Mr. QUANDT. They don't, I believe. They are prepared to be surprised and probably would be pleased to see something come out of it. But on the basis of 11 months of negotiation, they see little to show for it and basically they don't expect much now.

Mr. HAMILTON. I want to come back to some of these questions. I've already taken up enough time, but I do want to try to fill out as much as I can the political and economic response that you think we ought to make in this area.

I'll turn now to Mrs. Fenwick.

WESTERN RESPONSE TO TRANSFORMATION IN MIDDLE EAST

Mrs. FENWICK. I too would like to hear more about what we could usefully do. I can understand we're not subtle enough. I can understand that we wait for a "yes" or a "no" and get a smile and extreme courtesy. That seems not surprising once you have stated it so clearly. But I don't see how we're going to proceed. They do not want to lend us facilities in their area, as I understand it. I understand that Oman is offended by having the facility used when it was not clearly agreed that that would be done. So we have blundered in that regard again, offending dignity and sovereignty, as far as I can understand from the newspapers.

Where are we going to go? Without some agreement on the part of the people in the area that we are useful, it is very hard to see what purpose there is. Diego Garcia is far away. That's not really going to serve our purpose.

If you could push buttons, what would be the wise way to deal with this problem, to protect the flow of oil through the straits, to discourage this radical move? As I understand it—I think it's in your testimony, Dr. Zonis—and I apologize for being late—I think there's a feeling that there's a counterrevolution going on in the whole Islamic world, quite apart from Iran. I understand you feel they are fomenting deliberately a revolution in the Islamic world. I don't even know if they have to. I think there's so much of Western culture that's incompatible with their most deeply and dearly held mores, customs, beliefs, values. They don't like women voting or going to school. The development is somehow not what they thought life would be or should be. People going to work in great big industries. I think those are as much a part of it as religion, or Iran. Am I wrong in that? Is there perhaps a counterrevolution that somehow fits the situation?

There's an enormous amount of money pouring in. The elite goes to foreign schools, mostly American but I imagine the French and English universities, too, and they come back and there's not much place for them to go because the higher places are taken and they don't fit in with what's left.

Tell us where you think we can move in this very complex area?

Mr. **Zonis.** I essentially agree with you that I think there's a transformation going on that's fueled by very powerful and very deep-rooted passions. It would be a misunderstanding to equate those passions with Islam. They have nothing inherently to do with the religion. Rather, the religion is being used as a language with which to express these passions, a counterrevolution against westernization and the loss of indigenous culture.

One thing we can do is to understand what Middle Easterners are feeling in the processes through which they are passing.

Mrs. **Fenwick.** I've felt that for a long time.

Mr. **Zonis.** What we have to do is recognize and confirm the passions which are at work in the region. I personally feel that there is not any one particular set of Western or American actions which will convince Middle Easterners that we are their partisans, nor should that be surprising. For they are looking for rationalizations to justify these processes through which they are passing. This is a period of enragement against the West which is then cloaked in Islamic garb. It has very little to do with Islam. But it is also not something which the United States can alter by its contemporary policies.

If we act as a coherent, unified, powerful nation through an understanding of the process besetting the region and the nature of our interests there it will be entirely feasible for us to live with the revolution.

Mrs. **Fenwick.** Suppose we come face to face. That means stopping the flow of oil. It's not so easy to understand the counterrevolution when our allies are starving for energy.

Mr. **Zonis.** It is very unlikely that we would ever reach that stage. But there are certain lines that I think we should draw. That is one of them. We would not be willing to tolerate some drastic dropoff within the next 10 years in the production of oil. We probably are not going to be willing to allow them to have a revolution under those circumstances.

Mrs. **Fenwick.** The problem is it seems to me the people sitting in the saddle now are not the people to start counterrevolution. The people sitting in the saddle are wondering if the counterrevolution is going to throw them out. So to whom do we talk?

Mr. **Zonis.** Exactly.

Mrs. **Fenwick.** How do we convey to the nameless mass of people that as long as they treat each other with some decency and keep selling oil, we really don't care. As long as they're decent and don't kill people the way they do in Iran, by the hundreds in the middle of the night.

Mr. **Zonis.** Certainly the way we respond to the regimes and their treatment of the indigenous population is an important communication to those elements that are trying to effect such a revolution. That is a form of communications on a different level.

Mrs. **Fenwick.** Get in touch with them behind the regime's back?

Mr. Zonis. I don't know if we have to get in touch with them at all. The President's statements are closely read.

Mrs. Fenwick. Do you have any suggestions, Dr. Quandt?

DIFFERENCES AMONG MIDDLE EAST COUNTRIES

Mr. Quandt. The word "they" has been bandied about, talking about Middle Easterners. They are engaging in counterrevolution. They are all worked up about one thing or another. The Middle East is a very large and diverse area. If you look at the whole region covered on this map, it's actually instructive to see how many assets we have with countries that we have strong relations with or potential for strong relations. Turkey, for example, is a NATO ally; we've had a lot of difficulties recently, but there is the makings of an important relationship. Look at the countries it borders. In extreme circumstances, if a United States-Soviet crisis were to arise and NATO were involved, Turkey is a very important country.

That's an extremely important relationship to cultivate. They are not being swept away by an Islamic revolution. In fact the government there is quite anxious to improve its relations with us.

With Israel, likewise, we have a good relationship. In extreme circumstances we could count on assistance and help there.

Egypt, the largest country in the Arab world, is isolated for the moment from its neighbors, but, nonetheless, a very important piece of geography. We happen to have the best relationship we've ever had there.

Saudi Arabia could be better. As I indicated, there are problems. But all things considered, I'm glad that Saudi Arabia has the kind of relationship it does with us rather than say the kind of relationship between us and many other countries in the area. On the whole, Saudi Arabia has produced oil. We helped them with their security problems. Despite some minor irritations, the relationship is quite solid.

Relations with Pakistan are not very good today, but Pakistan could be a stronger asset as could Sudan, Jordan, Somalia, and so forth. It's not a picture of despair. It means there's a lot of hard work to be done and the answers aren't the same in each case. Turkey has economic problems. Jordan is suffering from neglect and insulting behavior on our part, totally gratuitous conduct that's driven the Jordanians into an uncomfortable posture of being further from the United States than they have been at any time in the past 20 years. We didn't need to do that. We just did it by neglect.

In Sudan, a mixture of political and economic issues. You can go case by case and see there are things we can do in each of these instances that will give us a somewhat stronger base. If by chance we could get all those relations in reasonably good repair with due sensitivity to local political imperatives, we would have a pretty strong position in the Middle East. I don't think we have to open too many more doors. We simply have to keep the relations we now have underway and in good repair to count on being able to protect our interests in the Middle East.

Mrs. Fenwick. If I may, Mr. Chairman, one question I would like to ask, referring to page 15 of your testimony, I sometimes wonder whether we are getting the full benefit of the information through the

State Department, which may or may not incorporate it in reports, depending on the political feelings of those who receive them?

Have you anything to say?

EMBASSY REPORTING

Colonel **Ruszkiewicz**. That was the thrust of my remarks just before you came in. Unfortunately, in my limited experience, I guess I should preface it that way, we have in our embassy what we call a country team. This has evolved to the point where in practice an embassy speaks with one voice, which should not be because there are many voices in the embassy, many agencies. Each of us from the perspective of our different backgrounds sees things differently than the other person. We report back to our respective agencies, in my case to the Defense Intelligence Agency with my reporting, and we should be permitted to report, call it as we see it.

I attempted to do this. I was not able to do this. As it turned out, I was able to get through to DIA early on in my reporting a piece of nformation which, in the case of the border war, indicated that things were not all that serious. This was the first piece of what I refer to in my testimony as hard intelligence. I took a trip; I looked; I saw or did not see. And that means a lot more than what somebody told you they saw or did not see.

So DIA took necessary action and attempted to confirm or deny what I had reported. As it turned out, they confirmed in spite of what other agencies in the embassy were saying. Unfortunately, they never et us know this, and this had to do with security classification, which I'd rather not go into at this point.

So we out there continued in our efforts to report. As I indicated, I became a minority of one after some period of time in attempting to continue in my efforts to confirm what I was not able to, where everybody else decided to go along with the stories that the officials of the government were giving us, which ultimately turned out to be grossly xaggerated.

The point I'm getting at, which is what you are getting to, the dministration had this information far in advance of when the decision was made to rush the equipment to Yemen.

Mrs. **Fenwick**. Is this a common occurence or is this isolated as ar as you know?

Colonel **Ruszkiewicz**. I had friends in Yemen, Iran, I had friends n Oman and friends in Greece who told me of their problems in this egard, too, I must say. Therefore, I'm not necessarily generalizing, s I would have if it was only my own particular history in one country, nd with confidence, I would make that generalization.

Mrs. **Fenwick**. Thank you.

Mr. **Hamilton**. Mr. Rosenthal.

Mr. **Rosenthal**. Thank you, Mr. Chairman. During your service with the National Security Council, Dr. Quandt, were your recommendations and ideas for creative solutions receptively received?

POLICY RECOMMENDATIONS

Mr. **Quandt**. From time to time they were, and from time to time they were not. I worked primarily on the Egyptian-Israeli peace treaty negotiations during the last year I was there and not primarily on the evolution of the so-called Carter doctrine. I left about the time that was really getting underway. I did not have much of an opportunity to play a role there, but I always felt there was a chance to get a fair hearing. I don't think that the doors were shut on good ideas.

Mr. **Rosenthal.** There were no specific policy recommendations that you are making here today that previously had been rejected by the administration.

Mr. **Quandt.** The kinds of things I am saying here today most people in the administration would probably support and would like to be doing—improving relations with a number of countries.

Mr. **Rosenthal.** Regarding Saudi Arabia, I sense the burden of your remarks are if the Saudis perceive that we are engaged in a credible solution to the Palestinian problem, that our relations with the Saudis would improve dramatically. Is that a fair statement of your views?

Mr. **Quandt.** That is an exaggeration of what I meant to say. It is one of several elements that I think would help improve the relationship. Perhaps today it is not even the most important, but is one of two or three issues that matter to the Saudis, along with how we conduct our relations with the Soviet Union, whether the United States has the will and capability of checking Soviet influence in the area. Certainly how we conduct ourselves in the broader area, including the Palestinian problem, and how we deal with some specific security-related issues in Saudi Arabia will affect our bilateral relationship with Saudi Arabia.

Mr. **Rosenthal.** The third one is the one I am trying to get to, putting aside the Palestinian issue, because there may or may not be a solution to that. There may well be there will not be in the long term. Assuming that to be the case, what can we do bilaterally to improve relations with the Saudis?

Mr. **Quandt.** On the bilateral front, for the moment, our relationship is not particularly bad. We have been responsive, within some limits, to their legitimate security needs. We do not have too many problems in that regard right now. We have a tendency to push them a little harder in trying to do things our way. I think we probably should resist that temptation, as I said in my written statement. They have valued political reliability in their military. We tend to value efficiency. We should let them determine their priorities and not try to get them to restructure their military.

Mr. **Rosenthal.** Do they have a viable political system by any modern definition?

Mr. **Quandt.** Well, from my experience in analyzing Middle East countries, all the political systems we think are somewhat archaic had done remarkably well. Jordan, Morocco, Saudi Arabia are all monarchies that have limited options for participation on the part of their populations, yet year in and year out they do at least as well as, say, the regimes in Syria and Iraq and many of the other countries in the area. So I am hesitant to write the obituaries for any of these systems. I think that the Saudis will have to adapt and evolve a political system that is more responsive to the management of a large bureaucracy and an enormous economy, but the idea of having hereditary monarchy at the top of the system does not strike me as being a total anachronism.

Mr. **Rosenthal.** I think it is, myself, because I think it is very difficult for us to adapt to nondemocratic institutions, nondemocratic regimes.

Mr. **Quandt.** We do it in a remarkable number of places in the world. I would say out of the 100-plus countries we have diplomatic relations with, probably no more than 30 fit that definition of being democratic.

Mr. **Rosenthal.** Take the three elements you say form the basis of Saudi concern for U.S. policy: (1) The Palestinian issue, (2) our relationship with the Soviets, and, (3) bilateral relations, bilateral relations you somewhat dismiss as moving more or less satisfactorily.

Mr. **Quandt.** For the moment.

Mr. **Rosenthal.** For the moment. Our Soviet policy, considering they are monitoring that, I don't know what recommendations you nake there as they go far beyond our Middle Eastern concerns.

Mr. **Quandt.** It is not so much the broad United States-Soviet elations, but how we look vis-a-vis the Soviet Union in the Middle East, the Horn of Africa, Yemen, Afghanistan, Iran. Those are the areas where the Saudis take our measure, not strategic arms, Europe, NATO, and so forth.

RELATIONS WITH SAUDI ARABIA

Mr. **Rosenthal.** I recognize what you say, that the vast majority of countries, for example in the U.N., are nondemocratic countries, particularly the Middle East. We have these monarchies all over the place. I still think it is difficult for us to adjust policy to try to deal with those situations, to understand them. Do they have a significant, neaningful, political infrastructure in Saudi Arabia? How can we change our concept of foreign policymaking so that it is perceived in a positive vein by a monarchy in that area of the world?

Mr. **Quandt.** I am not quite sure I understand why it is so terribly lifficult to convince a monarchy that we are relevant to their problems r concerns.

Mr. **Rosenthal.** Their No. 1 concern is to stay in office.

Mr. **Quandt.** I don't see that we have any vast objection to the Saudi ruling family staying in office.

Mr. **Rosenthal.** That is an interesting question. Do you foresee hat that ruling family will retain the respect and loyalty of the majority of citizens in that country for the next 10, 20 years?

Mr. **Quandt.** I doubt if it will be put to a vote. I suspect that the uling family will be there for the next 5 to 10 years, and we have to leal with the government in power.

Mr. **Rosenthal.** When you have a ruling family, where you have hat kind of a situation, is it easier to deal more directly with them? s it easier to be more persuasive with them? For example, here, in ther words, if you are talking to a democratic institution, a demoratic state, we can understand the difficulty of the political process uch as getting the majority vote, the difficulty of potential election f the general population. Presumably they do not have that problem, r do they have that problem, albeit in a revolutionary form?

Mr. **Quandt.** They have a different set of problems. They don't ave to worry about their election years, but they do have to worry about problems of succession. There are inter-Arab political problems. It is not a mirror image of the problems we are familiar with when we deal with a democratic country, but there are plenty of internal issues that restrain their ability to behave in a way that we would like them to.

Mr. **Rosenthal.** What is it that we could be doing differently to have more positive relationships with the Saudis, setting aside the resolution of the so-called Palestinian issue?

RESPONSES TO EXPANSION OF SOVIET INFLUENCE

Mr. **Quandt.** Well, first and foremost, we need to be seen by the Saudis as being important to their security concerns. That has to do with checking, in diplomatic and political as well as military means, the expansion of Soviet influence in the region. They saw in the last few years the Soviets enter Ethiopia with their Cuban surrogates and Soviet troops. That worries them a great deal. Ethiopia is in their backyard; South Yemen, likewise Afghanistan. They fear Iran might be next.

That is the kind of perception that we need to be aware of.

Mr. **Rosenthal.** Is that perception and presumed fear valid? Should we have had a military response to those three situations?

Mr. **Quandt.** Perhaps in the Horn of Africa more could have been done, but by 1977 or so it was too late. Afghanistan, I don't think we could have prevented it. Iran is perhaps the one place where a choice is to be made today.

If by our actions we push Iran closer to the Soviet Union, the Saudis will become concerned and seek to accommodate the new realities of the area.

If, by contrast, we somehow manage in our relations with Iran to at least insure that Iran not slip into the Soviet orbit, I think the Saudis will have greater confidence in the future. Iran is an important test case today.

Mr. **Rosenthal.** I think so too. What about the Saudi relationship with Egypt? Is it improving? Has it stabilized? Is it deteriorating?

Mr. **Quandt.** It is stabilized, though it is not improving. I don't know if it is getting particularly worse, but it is very bad today.

RESULTS OF EXPORTATION OF REVOLUTION

Mr. **Rosenthal.** Dr. Zonis, I have one question. You talked about the Ayatollah as exporting the revolution. Has there been success, and what measurements do you use for gaging the success of that exportation?

Mr. **Zonis.** The most dramatic evidence of success is the extent to which the Shiite population in Iraq, which constitutes the majority of the population of the country, has responded to his call. The Hussein regime has now taken stringent security measures against Shiites. Across the gulf, there have been riots and demonstrations in Saudi Arabia and the royal emirates on the part of Shiite and, increasingly, non-Shiite groups on the opposite shore of the Persian Gulf. More distantly, certainly, the Shiites in Lebanon have been energized by the success of the revolution, have taken action there to protect Shiite interests.

Mr. **Rosenthal.** You talked about having two political consequences of our acting, being more receptive to political needs of these countries. I think that is a very useful generality. I don't understand specifically what changes or alterations, modifications, additions to American policy there ought to be to improve our image and improve our relationship with those countries.

HOW TO IMPROVE RELATIONS WITH PERSIAN GULF NATIONS

Mr. **Zonis.** There are a vast number of opportunities to which we can respond both directly or indirectly. We can communicate either directly or communicate through what we are doing as to our notions of correct policy for those regimes.

Mr. **Rosenthal.** Give us some examples, one, two, three.

Mr. **Zonis.** The ways in which the Saudi regime is now coping with the problem of trying to organize a mechanism for internal political participation.

Mr. **Rosenthal.** What shall we do?

Mr. **Zonis.** No. 1, we should be talking to the Saudi regime about how to begin with a set of institutions which will ultimately lead to successful political participation.

Mr. **Rosenthal.** We should be helping to develop political infrastructures?

Mr. **Zonis.** Yes, initially through communication.

Mr. **Rosenthal.** Do you agree?

Mr. **Quandt.** If we have any wisdom on it, let's share that. I don't think we do.

Mr. **Rosenthal.** What is next? No. 2.

Mr. **Solarz.** If the gentleman would yield.

Mr. **Rosenthal.** I don't want to yield.

Mr. **Zonis.** No. 2, there are important relationships between the Saudi ruling family and the Emirates. We could seek to encourage the Saudis, if we could set an example, to work coherently with vigor and determination to respond to the Soviet threat and to the kinds of political changes to which I have referred.

Mr. **Rosenthal.** How do we give the perception of responding vigorously and coherently? We can't do it here at home. How are we going to do it over there?

Mr. **Zonis.** That is where the problem is in the United States, not in the Middle East.

Mr. **Rosenthal.** What shall we do? We are out of fruitful ideas. What should we do?

Mr. **Zonis.** My own view of that is that there is something dramatically wrong in the way in which American foreign policy is created and articulated.

Mr. **Rosenthal.** What should we do? Tell us.

Mrs. **Fenwick.** How would you correct it?

Mr. **Rosenthal.** We are desperate for ideas.

Mr. **Zonis.** While Dr. Quandt speaks I will decide how to phrase an answer so I can still face myself in the morning.

Mr. **Quandt.** There are a lot of substantive things.

Speaking with one voice would be helpful. We had a tendency in the aftermath of the Carter doctrine to have the President's statement, interpreted first by Secretary Vance, then by Dr. Brzezinski, and then by Clark Clifford covering the whole spectrum of possible interpretations. That was totally counterproductive if you want people to take you seriously.

Mr. **Rosenthal**. That is a criticism of our mechanism.

Mr. **Quandt**. That is very important; psychology matters in this area. Second, it didn't help to have the defense budget cut recently. If you want to be taken seriously in increasing your power in the area, this was not a particularly good time to cut.

INCREASE IN MILITARY BUDGET

Mr. **Rosenthal**. Dr. Zonis said earlier that an increased military budget was not a solution to the problem. He has said almost that word for word.

Mr. **Zonis**. An increased military budget is not a solution to the problems posed by domestic political relationships within those countries. But it is extremely important in terms of altering their perceptions of our willingness and ability to act decisively against the Soviet threat.

Mr. **Rosenthal**. There are two separate things, the increased military budget and our willingness to act decisively.

Mr. **Zonis**. It is a shorthand way of communicating that we take the Soviets seriously. I am in favor of increased military expenditures.

Mr. **Rosenthal**. How much do you want to increase it?

Mr. **Zonis**. I am very worried that our capability to act militarily in the Indian Ocean and Arabian Sea has now reduced our ability to function in the Far East.

Mr. **Rosenthal**. They are not worried about the Far East, are they?

Mr. **Zonis**. The Japanese are.

Mr. **Rosenthal**. We are talking about improving our relations and the American posture with the Middle East people. They are worried about the Far East?

Mr. **Zonis**. No; but one reason we have to increase the military budget is to compensate for the drain on American capabilities in the Far East, which is produced by our actions in the region of the Persian Gulf.

Mr. **Rosenthal**. I still have ideas, but my time has expired.

Mr. **Hamilton**. Mr. Wolpe.

AMERICAN HOSTAGES IN IRAN

Mr. **Wolpe**. Thank you, Mr. Chairman. I would like to shift for one moment to the question of the American political response, at this point, to the hostage crisis within Iran and to your assessment of the political situation within that country.

What at this point would be your suggestion as to what the United States ought to be doing in response to the effort to secure the safe release of the hostages? Particularly, what is your reaction to the announced policy of increasing sanctions over time in the effort to extricate the hostages?

Mr. **Zonis**. That is an issue about which I do have some tangible and immediate suggestions. I think that we have to follow a policy which has a number of facets to it on a number of different levels.

We have to face up to the fact that there is nothing that the United States can do in the short run that will lead to the release of the hostages. We have to start from the premise that we cannot alter the Iranian political structure in the near term. Therefore, we have to accept the fact that the hostages are likely to be kept in Iran and that we are unable to secure their quick release.

Now, what do we do once we reach that perception? It seems to me there are many things.

First, the President of the United States must not retract the sanctions already imposed. Such actions would be a blow to our interests in the rest of the Middle East and in Europe. As Dr. Quandt has mentioned, this would contribute a perception that we don't know what we are doing. Once we have committed ourselves to the sanctions, it is essential that we maintain them. But we must recognize that they will contribute only indirectly and only after considerable time to releasing the hostages.

Second, I think that we must communicate to the Iranians indirectly, privately better than publicly, that we maintain our original position. If the hostages are hurt, perhaps if the hostages are put on trial, the United States will not tolerate such actions. The consequences will be militarily severe for the nation of Iran.

The United States should "walk away from the table." One negotiates in Iran in a situation of intense passion and impasse by leaving the field. We must act if we have nothing more to say to the Iranian people and the Iranian Government. They are violating international law by holding our hostages. When they are ready to return the hostages, they can call us up and tell us that. Otherwise, no more communication with Iran whatsoever. Four, as in Iranian negotiations at this stage, we seek mediation. We encourage our allies and particularly the Germans to start acting as intermediaries. Of all our allies, Germans are really the most respected in Iran. They are in the best position to act as an intermediary, to plead with Iranians, in their interest and the interest of the Germans—not, of course, interests of the United States—to start reaching some kind of resolution of the hostage crisis. But clearly, in no sense is there a short-term way out of this problem.

RELATIONSHIPS AMONG KEY ACTORS IN IRAN

Mr. WOLPE. What do you see as the internal relationships among the various key actors now in Iran? Who is calling the shots? What do you foresee in this area?

Mr. ZONIS. One of the great problems right now is that there is no one "in charge of the store." Everybody realizes that a key issue in Iran is the succession crisis following the ultimate demise of Ayatollah Khomeini. The principal actors in Iran at the moment are the group who act in the name of the Ayatollah; basically his son and some relatives and an old school friend—five individuals who frequently write and occasionally read his speeches because he is sometimes enfeebled. But of course, they have no institutionalized power in Government.

Second, Ayatollah Beheshti and the Islamic Republic Party, the radical clergy and their allies in the lower stratum of the population, are trying to control the Iranian Parliament. That way they will be able to control the choice of Prime Minister and the composition of the Cabinet and reduce President Bani Sadr and the secular moderates to the status of figureheads.

Third, there is a major split in the clergy which we must understand. Most Iranian clergymen do not support Ayatollah Beheshti and think that the role of the clergy as now constituted within the political system is illegitimate and something to be done away with.

So there is no power organized or centralized in Iran right now. There is tremendous competition to acquire power before Ayatollah Khomeini dies so that group can be in the best position to try to consolidate power in his absence.

IRANIAN PARLIAMENT

Mr. **Wolpe**. Do you anticipate that the establishment of the Parliament will in and of itself have any direct impact on the resolution of the hostage crisis?

Mr. **Zonis**. That would be extremely difficult. The most likely outcome of the election of the Parliament will be to concentrate in one place a whole variety of political forces which Ayatollah Beheshti will not be able to control. Ultimately, the idea that the Parliament is going to decide the fate of the hostages is absurd. Ayatollah Khomeini, Ayatollah Beheshti, and the leaders of the major political factions will decide, and then they will tell the Parliament what should be done. The Parliament will not be willing, given the status system of Iran, to stand up and produce a solution to this highly charged issue.

Mr. **Wolpe**. There seemed to be a perception on the part of our Government at one point, that with the United Nations mission in Iran we were on the verge of a breakthrough in the hostage crisis. Was that a mistaken understanding of what was being communicated to us, or was there in fact some kind of change of signals in the process?

Mr. **Zonis**. It was not a mistaken understanding of what was being communicated to us, but it was a mistaken understanding of the distribution of power within the Iranian political system. Basically, those who were communicating to us found that they could not deliver on the promises that they were making. They did not communicate in bad faith. President Bani Sadr really believed he could deliver on what he was promising if we responded in certain ways. What we and he learned was that he could not. His bluff was called. He did not have the power to deliver.

RESOLUTION OF HOSTAGE CRISIS

Mr. **Wolpe**. Dr. Quandt, would you have any suggestions to make in terms of what our policy should be with regard to the hostage crisis?

Mr. **Quandt**. I agree with Dr. Zonis. There is no quick fix, no quick solution, and sanctions, while necessary to maintain, are not going to bring about the release. I think it would be a great mistake to go forward with mining of harbors of Iran as a form of pressure. That is precisely what would drive Iran closer to the Soviet Union, and, therefore, be counterproductive in terms of longer range interests.

It is terribly important if we want to get the hostages out alive to ventually convince the Iranians that they no longer matter that uch. As long as the hostages are the most important issue for the nited States, the Iranians will bargain over them until they have rained us of everything that they want from us. They want to miliate us. They want the Shah back. Or, they want something mparably important.

As long as we say day in and day out that this is the single most nportant issue for the United States, Iranians who control the ostages will never give them up. Until we convince them that this is secondary issue to us, not in terms of the human lives involved but terms of the price that we are prepared to pay for it, until they lieve that this is a counterproductive step, we are simply not going see those people released.

We ought to simply deemphasize in our public statements this ostage issue, and let it drop to the back burner.

Mrs. Fenwick. Would you yield for just a moment?

Mr. Wolpe. Surely.

Mrs. Fenwick. In that regard, is perhaps the imposition of sanc-ons counterproductive? Does it not reemphasize again the hostages? it wise to impose the sanctions?

Mr. Quandt. We have to leave them where they are. I don't think at we need to turn on the screws any more tightly. Leave things here they are, as far as we are concerned. Our allies will proceed as r as they are going to go. They will not have a great impact on Iran. he mistake would be to go a notch up the ladder in the sanctions d mine the harbors with a blockade of their imports.

Mrs. Fenwick. You would leave the sanctions where they are?

Mr. Quandt. Just where they are.

Mr. Wolpe. One last question and my time is exhausted.

There has been some discussion at certain points of the develop-ent of a white paper that would trace America's historical relation-ip to the Iranian regime. That kind of statement would be delivered , hopefully, a kind of neutral arena, perhaps within the Congress. enator Church has had under advisement that kind of effort.

What would your reaction to that be? Would it have any impact on ture developments?

Mr. Zonis. I have discussed that possibility with a number of other ople who follow Iranian affairs closely. Our general feeling is that would play a useful role in contributing to the process through which an is going, and which they are trying to work through.

We should not feel that any kind of admission of guilt—which would inadvisable on many grounds—or of even an expression of under-anding of the Iranian pain, which is another way of conceptualizing white paper, would lead to any speedy end to the hostage issue. That annot occur until political power is consolidated.

A white paper would be a useful thing to do. In terms of the future ng-term relationship between Iran and the United States, but not terms of getting the hostages out of Iran.

Mr. Wolpe. Thank you.

Mr. Hamilton. Mr. Solarz.

Mr. Solarz. Thank you very much, Mr. Chairman. I appreciate e opportunity to participate even though I am not a member of e subcommittee.

EFFECT OR THREAT OF MILITARY ACTION

Dr. Zonis, it seems to me there is a logical contradiction in you position on how we are to respond to the situation in Iran. On th one hand, you seem to feel that the threat of military action against Iran in the event that they harm the hostages, or possibly put them on trial, would presumably serve as an effective deterrent against such action. You advise us to let the Iranians know in no uncertain terms that if our hostages were harmed or put on trial we would tak strong military action against them.

Yet, it would seem to follow from that, if we can influence their behavior with respect to the safety of the hostages through a threat of military action, why couldn't we similarly influence their behavior with respect to releasing the hostages through the threat of military action?

In other words, why is it advisable to let them know that if they harm the hostages we will take military action, but not to let them know that unless they release the hostages by a certain date, we wil take military action?

Mr. Zonis. My own reading of the current Iranian political scen and those aspects of Iranian culture and personality affecting the political system is that their response to a deadline with a threat at the end, would lead them to be willing to "go down with the flaming ship." The passive aggressiveness is so profoundly high and pervasive i Iran that they would not succumb to American pressure by releasing the hostages.

Mr. Solarz. If that is the case, why wouldn't the threat to u force if they harm the hostages have precisely the same result?

Mr. Zonis. Because even while the Ayatollah Khomeini assures everyone of the benefits of martyrdom, Iranians are not eager to ris their lives and the assets of their country in an effort which is not see as productive for them. Harming the hostages is not going to contribute significantly to the humiliation which they are already able t inflict upon us so successfully. Indeed, it really would be counterproductive for them to harm the hostages physically or even kill them for that would eliminate the one thing they have going for them, the American hostages.

Mr. Solarz. Dr. Quandt, do you share this view that a threat o military force, if they harm the hostages, can contribute to preventing that from happening but a threat of military force if they don't release the hostages would be counterproductive?

Mr. Quandt. They are two courses of action you are trying t influence. One, to take a positive step to release the hostages. Military threats don't bring about that result. The second, deterring them from murdering the hostages—as far as we know, they have no desire to d this because the hostages are terribly valuable to them.

I think it is obvious that if the hostages are harmed there will b some form of retaliation. It does not seem to me to add a great deal t the Iranian calculations, but it is useful to underscore the obvious. I the case here, you are trying to keep them from doing something mor dramatic.

LEVEL OF RISK TO HOSTAGES

Mr. Solarz. Dr. Zonis, one of the arguments advanced by the President for the timing of the rescue mission was the risk to the

pages tightly bound

hostages with each passing day were increasing as a consequence of the disintegration of centralized authority in Iran, the increase of tension between Iraq and Iran, and the possibility of a war that conceivably could somehow or other endanger the hostages. Do you share this view? Do you think as time goes by there are greater risks to the safety of the hostages, or do you think that that is, in fact, not the case?

Mr. **Zonis**. Those are perceptions that I do not share. There is something to be said for the view that as central power disintegrates and the Iraqis threaten, the dangers to the hostages increase. But this is more than overbalanced by the fact the longer they are held, and the closer the relationships are that they establish with their captors, the less likely it is that harm will come to them. I think the chances of harm are extremely small.

ASSURANCES OF SUPPORT FOR SAUDI ROYAL FAMILY

Mr. **Solarz**. Dr. Quandt, we would all agree that the primary Saudi concern is a political preservation of the royal family. In those terms, is it your view that the Saudis would like us to, in effect, guarantee their survival against an internal upheaval through assurances that in the event their regime were challenged by a coup or by mass demonstrations, or in some other way, we would come to their assistance in whatever way we could in order to make sure that the royal family remained in power?

Do they want such assurances, and would it be helpful to offer them?

Mr. **Quandt**. It would be quite unlikely the Saudis would ask straight out for that kind of assurance. They, instead, would look at our behavior to see if there is any reason to believe that if they get into any difficulty they can count on our help.

Iran is an example. Although we may remain committed to an independent Iran, we are not committed to any particular ruler or institution. They have to frankly take that seriously, that the United States when it makes a commitment to other countries, as far as I know, has never made a commitment to an individual or to a royal family.

We have made commitments to goverments, to countries, but not to ruling houses. Therefore, I don't think the Saudis realistically can expect us to change our political nature in order to meet their political needs.

Mr. **Solarz**. Except here, perhaps, there is a unique circumstance, given the importance of the country, the existence of these enormous resources, and the historic relationship between royal family and the United States.

I am not suggesting that this ought to be our policy, but I am interested in our view. Do you think that it would be in our interest to provide such assurances?

Mr. **Quandt**. If it is a matter of a very general discussion of what we would do under a variety of hypothetical circumstances, we should do everything we can to convince the Saudi leadership that we will come to the help of Saudi Arabia. As long as they are in charge of Saudi Arabia that means coming to their help.

To go beyond that in a formal commitment involving treaty relations, involving congressional action, clearly we cannot commit ourselves to more than that general kind of a commitment to the country.

Mr. Solarz. How would you characterize the Saudi attitude toward the establishment of American military facilities in the three locations?

Mr. Quandt. On the overt public level, the Saudis will express reservations about this action for fear that this would bring the Soviets more into the area, which will counterbalance any good that is done; that it will be politically destabilizing in a place like Oman to have a large American military presence, and that it does not significantly enhance our capability to deter the Soviet threat as they see it.

Quietly, I suspect they will say that if we feel this is the right thing to do, they will not second guess us. But, please keep it quiet and discreet.

Mr. Solarz. My impression was that the Saudis felt that, while they did not want any such facilities on their own territory, that they would not consider a low-key American military presence elsewhere in the region with the consent of the countries involved to be unhelpful.

Mr. Quandt. Low key and unpublicized are the watchwords in that regard. They use them in terms of the "over the horizon" capability that we thought of. A naval presence over the horizon means Oman, Kenya, Somalia, as long as it is discreet.

IRAQ AND MIDDLE EAST PEACE PROCESS

Mr. Solarz. A former ambassador of Saudi Arabia was in Iraq, and he told me that on the basis of his discussions with the Iraqi leadership he was convinced, if Israel will agree to withdraw to the 1967 borders, and permit the Palestinians on the West Bank and Gaza to have self-determination and satisfactory arrangements over Jerusalem, they would be prepared in the context of such an agreement to recognize Israel and even establish diplomatic relations, and, in effect, write off the Israeli-Arab conflict.

I was somewhat surprised to hear this because on the basis of the Iraqis' public statements, they have made it clear that they don't accept 242. They have been alined with the rejectionist countries.

I am interested in your view of the present Iraqi attitude on the Israeli-Arab conflict. Do you think that they would, in fact, be prepared to accept arrangements calling for the recognition of Israel as a Zionist entity in the Middle East, or will they ultimately insist on a secular state that clearly Israel would never agree to?

Mr. Quandt. I don't think the Iraqis have a very deep interest in either associating themselves with the peace settlement, or frankly trying to disrupt one that is desired by Jordan and the Palestinians. They will simply not recognize Israel at any time in the foreseeable future, even if Jordan, Syria, and other Arab countries might do so in the context of a peace settlement. They will be followers and not leaders in that regard. It might happen eventually, but it is simply not something that the Iraqis see any benefit in.

On the other hand, I think their rejection isn't any worse than it used to be. One gets the impression that they will no longer try to stand in the way. If Jordan and the Palestinians were to decide that the European initiative were a good thing and they were prepared to negotiate on that basis, the Iraqis would basically stand on the sidelines.

Mr. Solarz. Two final questions, Mr. Chairman.

First, how do we reconcile this dilemma that we have now in our relationship with Iran, between our concern over the hostages on the one hand, and our determination not to drive Iran into the hands of the Soviets on the other? Obviously, from a strategic geopolitical point of view, the latter is the overriding concern.

On the other hand, I am not sure that you would suggest that we simply forget about the hostages completely, and say, because we have an overriding interest in preventing Iran from moving into the Soviet orbit, "Keep our hostages as long as you want. We are going to provide all the help you need in rebuilding your society, and so forth."

How do you think we should reconcile our legitimate interest in getting the hostages back, on the one hand, with our equally legitimate interest in not driving Iran closer to the Soviet Union, on the other hand?

Mr. ZONIS. There are two things we need to do. Both are compatible, and compatible with the general remarks made today about other countries.

One, we have to convey a sense of our own power—economic, political, and military—and a commitment to use it when our vital interests are threatened. Others must take that very seriously.

Second, when we write off the hostage: to the Iranians in private communications, we will be communicating to the Iranians that we take the hostage issue very seriously. I am not suggesting that we say, "Let's forget the hostages and get on with rebuilding our relationships, and how much money do you need to strengthen your own forces." I mean, literally, we have nothing to do with them. That is not going to drive them into the Soviet camp. That is the best way to communicate to an Iranian, "This is the sine qua non of any relationship. Until this problem is clarified, we can have no further ties."

Mr. SOLARZ. Dr. Quandt?

Mr. QUANDT. I would agree, we should freeze the relationship. We are not going to push the Iranians closer to the Soviets. Deemphasize in public the hostage issue; use whatever private channels we have to keep looking for any opportunity, but basically accept the unhappy reality that the hostages will not be released until there is some turn of the wheel in the political situation in Iran, and just wait for that to happen.

Mr. SOLARZ. If you carry to your logical conclusion the argument that we have an overriding interest in preventing the Iranians from moving into the Soviet orbit, why not take a position that far from freezing our relationship, we are going to offer Iran aid, assistance, and advice as if the hostage situation did not exist.

Mr. QUANDT. My guess is that it will not serve the purpose intended; namely, that the Iranians would not enter our orbit as a result of that kind of overture, given all the other problems that they have.

Second, there is something demeaning about chasing after the Iranians, and we have other interests at stake in the world than simply Iran.

Mr. SOLARZ. My final question has to do with the original perceptions of the Carter doctrine.

CARTER DOCTRINE

It seems to me both of you in some way, but in different respects, were somewhat unfair to the President in suggesting that there were enormous ambiguities about the Carter doctrine, and that it was not really responsive to the primary threat to our interests.

It is quite obvious, as Dr. Quandt pointed out, if the Soviets were to move into the gulf that would constitute a casus belli. The Carter doctrine is stating the obvious, but the primary threat to our interest comes in by way of internal subversion, political instability. You make a point that the Carter doctrine is not really responsive to that threat.

I don't know if either of you have suggested any ways of dealing with it other than saying that that is the threat. In what meaningful way can we contribute to a greater sense of political stability in the area if, in fact, that is the primary threat to our interest in the region?

Mr. Quandt. If I may, I don't think there is a lot that we can do with the rate of their socioeconomic modernization, and the instability that stems from that. We cannot tell them to slow down or speed up. We can try, but we really don't have the answers to that.

However, there are regional conflicts that can be destabilizing, and can contribute to internal instabilities. For example, the Cyprus conflict has an effect on Turkey. Turkey is terribly important to us. We have a diplomatic role to play. This is one place where positive American initiatives might play a role. There is no reason to stop trying simply because one has tried and failed.

In the Arab-Israeli conflict, we tried for 30 years with repeated failures. Finally, we made a breakthrough. We have to keep on trying. In India and Pakistan, you know you have terrible troubles on your hands, but to give up trying is to insure that the instabilities that you fear will, in fact, become a problem.

With Saudi Arabia and North Yemen, as my colleague has suggested, there are problems. We have a role to play in mediating those kinds of relations. This is where we can play a role, not in trying to tell them how to run their budget to avoid instabilities.

If we can help them deal with those regional problems by addressing both their diplomacy and the balance of arms supplies, so that there are regional balances of power, we will have taken serious steps toward helping make the area more manageable.

Mr. Solarz. Thank you.

NORTH YEMEN AND SAUDI ARABIA

Mr. Hamilton. Colonel, you have had an easy time; let me ask you a few questions on the Yemen Arab Republic.

One of your principal points was that we have subordinated our policy for North Yemen to Saudi Arabia. What is wrong with that?

Colonel Ruszkiewicz. Saudi Arabia played political football with that policy. They put the arms that they had bought for Yemen, that we agreed to provide, at the end of a stick, so to speak.

You have a situation between the two Yemens where the question of unity is constantly brought up, discussed, planned, and so forth, as it is right now. I tried to make the point that from Saudi Arabia's perspective a united Yemen is not necessarily good for them. On the other hand, a strongly Marxist South Yemen is not good either.

Mr. **Hamilton.** How does it look from our viewpoint?

Colonel **Ruszkiewicz.** I would suggest that the British left a good infrastructure in South Yemen when they left—the ability to organize, the ability to move and get things done.

What I am suggesting here, if you were to bring the leadership of the two Yemens together, with time, I fear the leadership of South Yemen would prevail, although in this case the carrot at the end of the stick was the offer by South Yemen to the President of North Yemen that he would be the first President of the United Yemen.

Mr. **Hamilton.** Do we have interests in Yemen that are separate from our interests in Saudi Arabia?

Colonel **Ruszkiewicz.** I think those interests relate to North Yemen's strategic location, this leads to some of the conversation here. If you look at what the Soviet Union has in that particular part of the world, the Horn of Africa, so to speak, you have South Yemen where the Soviets have recently concluded a treaty of cooperation—an agreement, I think it is called.

I would agree that it is a rather innocuous document. On the other hand, if the chips were down, it could be interpreted in a way by the Soviet Union that they would step in directly to assist South Yemen in whatever the problem may have been. The Soviet Union thereby would have, I should not call them base rights, but that is what it amounts to.

I also understand that there is equipment in South Yemen that the Soviets have pre-positioned there—it would make sense, but I don't know that for sure—aimed across the Red Sea at Ethiopia. The Soviets have access to facilities on that side of the Red Sea.

We talk about the straits as being the critical choke point in terms of getting our oil from the Persian Gulf, but you must realize that a lot of that oil flows up on the Red Sea en route to the European markets, to our European allies.

U.S. POLICY TOWARD NORTH YEMEN

Mr. **Hamilton.** What do you think we ought to be doing with regard to North Yemen now?

Colonel **Ruszkiewicz.** That is a difficult question. We may be a little late on that one.

I should go back here to the summer of 1978. When the President took over, we were concerned at that time with their defense capability. We prepared a country team assessment. We made recommendations. They did not work out as they could have, perhaps, but the point here is that the President of North Yemen sincerely expected from us a direct bilateral relationship—what should I say here, cooperation with the United States in modernizing its army—as opposed to having the equipment that we were providing North Yemen coming through Saudi Arabia, being managed by the Saudis. The Saudis fell flat, and their program died. They were just not capable, with their manpower resource limitations.

MILITARY SUPPLIES TO NORTH YEMEN

Mr. **Hamilton.** So $400 million worth of equipment is rotting?

Colonel **Ruszkiewicz.** That is the second item of equipment. The first shipment of arms was agreed upon in early 1975, and it amounted to $138 million. The $400 million package was presented sometime in January 1979. As a result of the serious situation on the border, it was rushed to North Yemen.

Mr. Hamilton. Let me understand; when did you leave there?

Colonel Ruszkiewicz. I left this January.

Mr. Hamilton. We have all this equipment sitting in the country, what is happening to it?

Colonel Ruszkiewicz. Nothing.

Mr. Hamilton. It is just sitting?

Colonel Ruszkiewicz. Yes.

Mr. Hamilton. Not being utilized?

Colonel Ruszkiewicz. Let me give you a few details to start with.

We did not rush F–5 aircraft to North Yemen. We rushed 12 F–5 aircraft to Saudi Arabia where they were to be assembled on an expedited basis, then sent to North Yemen because North Yemen did not have the facilities to assemble these aircraft. It takes a lot of technological support equipment, and so forth.

They said that they could get them to North Yemen by the 1st of April, so we told North Yemen that they would be there by the 1st of April. As it turned out, getting back to the political football game, the first four arrived about mid-May. The remaining eight did not arrive until mid-September, just in time for the national day parade, where they made an impressive display of aircraft flying over in formation, and so forth.

Thirty-two of the sixty-four tanks were airlifted from Saudi Arabian stocks to North Yemen. That was considered the quickest way to get the tanks there. Then, of course, of the 64 packages to be produced for them, 32 would go to Saudi Arabia to replace the 32 that were shipped, which we did in April by surface—the remaining 32.

As of when I left, they had only received, I think it was 6 rounds of ammunition for each of the 64 tanks. That is a long story about certain things that did not work right in our system. The 6 rounds of tank ammunition is only 6 out of a basic load of 43 rounds, I think it is, for the M–60 tank. You take your tanks out of the tank park and head for the border with only six rounds?

Saudi Arabia attempted to delay the arrival of that little piddling amount of tank ammunition. I forget the name of the ship, but it was due on the 1st of April. We finally got it there in mid-April, or the third week in April.

Mr. Hamilton. Is that equipment usable now?

Colonel Ruszkiewicz. I will get to that.

I forget exactly when, but somewhere in the August-September-October time frame, I wrote a rather lengthy report on the fact that none of this equipment had been deployed, nothing had happened with it.

Mr. Hamilton. None of it?

Colonel Ruszkiewicz. None of it.

Mr. Hamilton. $400 million plus $138 million.

Colonel Ruszkiewicz. That is right.

Mr. Hamilton. Over $500 million worth of equipment not deployed?

Colonel Ruszkiewicz. I am talking about the $400 million package.

I think they had five or seven pilots training on 12 F-5E's, and 4 5B trainers. One of these pilots was the President's brother. There is question in anybody's mind that he was there to insure that those nes flew this way, and not over to the palace, if I could put it that y.

They had an artillery command commanded by the President's lf-brother. At that location they had the 155 artillery pieces, the W antitank missiles, and the Dragon. They were all under his ntrol. The 64 tanks were parked in another area, and it was a cousin o was commanding this location.

My conclusion was that the President had taken this equipment d controlled it for the purpose of keeping himself in power.

Mr. HAMILTON. Not for the purpose of securing his country?

Colonel RUSZKIEWICZ. No. I made a number of trips to the border, d there was no equipment there.

Mr. HAMILTON. What you have said, Colonel, is a very strong ndemnation——

Colonel RUSZKIEWICZ. I lived through it.

Mr. HAMILTON [continuing]. Of administration policy last year, in ich they said this equipment had to be rushed to North Yemen for defense and for the national security of the United States.

Colonel RUSZKIEWICZ. I have read some of the hearings.

Mr. HAMILTON. We had to depart from ordinary procedures. The esident did not feel it was necessary to send a notice to Congress of e sale.

Colonel RUSZKIEWICZ. I have outlined that point in my statement.

Mr. HAMILTON. You are aware of that?

Colonel RUSZKIEWICZ. Very much so. But that is the way things get ne sometimes.

Mr. HAMILTON. Your judgment was that we did all of this to placate d to please the Saudis, basically; is that right?

Colonel RUSZKIEWICZ. It was done, I would suggest, for repolishing e President's rather tarnished policy image.

Mr. HAMILTON. For domestic political purposes?

Colonel RUSZKIEWICZ. I think so. I go back and forth on this one. ut if I have to give it, that is what I would come up with.

Mr. HAMILTON. As far as you know, none of that equipment is being ed at the present time?

Colonel RUSZKIEWICZ. Let me go into another detail.

Mr. HAMILTON. Hold on now. I want to understand the big picture efore we get to the details.

My understanding of your testimony is, to your knowledge, none f the $400 million worth of equipment is usable.

Colonel RUSZKIEWICZ. I did not say usable. It is not deployed. here are no people capable——

Mr. HAMILTON. Not being used or deployed against the threat om South Yemen?

Colonel RUSZKIEWICZ. That is right.

Mr. HAMILTON. What about training?

Colonel RUSZKIEWICZ. Interestingly, another contingent of Jor nians was brought in to provide training on the tanks, the armo personnel carriers, the TOW antitank missile, and the Dragon. Th worked for 4 or 5 months; I forgot exactly what it was.

They are very effective people. I have the most respect for t Jordanians that I could possibly give any people. They are good a they are proud of their reputation, so they try to do a good job, a they do a good job. They were having absenteeism problems and thin like that in their efforts to train Yemeni soldiers.

In late October or early November, the Soviet equipment began arrive.

Mr. HAMILTON. Where?

SOVIET EQUIPMENT

Colonel RUSZKIEWICZ. Into North Yemen. I distinctly rememb that on the 6th of November, when I went to the port city, I o served and reported Mig-21 crates having arrived from a certa ship. I acquired a manifest from the ship, and it revealed 2,000 to of equipment had arrived. During this year, 1979, 200 tanks we brought from Poland. As I understand it, a like amount was going be coming from the Soviet Union, and various and sundry other piec of equipment.

What I am getting to here is that we have a situation where y have very limited manpower resources, and a rather small, poor organized military. Where do you focus them: Which way do you se them? To the Soviet or to the American tanks?

Just before I left—and I could not confirm this—but a Jordani friend was quite upset over this. What he had was that North Yem was going to take all of the people that his mission had trained on t American equipment, and give them to the Russians to be used on t Russian equipment.

Mrs. FENWICK. Where did the Russians go? To the border, or arou the Palace again?

Colonel RUSZKIEWICZ. You have to get into reorganizing, and it a long and complicated situation. The Soviets had evolved a plan create, I forget what it was, two, three or four armored brigades o I think it was, 32 tanks each, and various and other sundry milita units.

The Jordanian mission was also doing this from the perspective taking the U.S. equipment. At one point, there was a unit there th was going to be equipped half with American tanks, and half wi Russian tanks, with two basic technologies.

It was not going to work very well, when you have a poorly org nized situation where, in many cases, the right hand does not infor the left hand what the plan was.

Mrs. FENWICK. Was the Russian equipment sent to the border, o was that kept around the Palace, too?

Colonel RUSZKIEWICZ. I have some pictures of the border area. Yo just don't take tanks to the border, because the terrain is so rough.

Mr. HAMILTON. Why do we send them there if we don't deplo them?

Colonel **Ruszkiewicz**. You have to understand, tanks and aircraft in the perception of a developing country are very crucial, prestige items. On the first of September, Qaddafi had his National Day Parade, and he had fantastic press coverage of that, and he had 800 tanks rolling by, and the Russians deny that they had anyone in those tanks driving. His point was, "I have 800 guys who can drive tanks forward." That is about all he could do with them, you see.

Mr. **Hamilton**. We sent F-5's that they could not fly and tanks that they could not use, to protect against a threat that did not exist.

Colonel **Ruszkiewicz**. I had serious reservations about that threat, myself, 2 months before the outbreak.

Mr. **Hamilton**. All because we wanted to impress the Saudis, and President Carter needed it.

Colonel **Ruszkiewicz**. That is a loose generalization.

Mr. **Hamilton**. I want to understand your testimony.

The other thing that bothers me about your testimony is the difficulty you had in reporting some of this information.

Colonel **Ruszkiewicz**. It bothered me, too, which is why I am here today.

Mr. **Hamilton**. I want to indicate to you that we will follow up on that, Colonel. We appreciate that very much. We will follow up on that with the Department. It is very distressing because I have the very distinct recollection from testimony at the time of this arms sale that the vital interests of the United States were very much at stake.[1]

Colonel **Ruszkiewicz**. I thought they had trouble identifying what those interests were before this subcommittee.

Mr. **Hamilton**. I thought they did, too.

We thank you, sir. It has been helpful to us.

Let me return for a few minutes to some of the other problems.

CARTER DOCTRINE IN RELATION TO PREVIOUS POLICIES

We had previously tried to protect our interests in the Persian Gulf with the so-called twin-pillar policy that placed emphasis on Iran and Saudi Arabia. Then we talked about the Nixon doctrine that relied on the indigenous forces there. I take it with the Carter doctrine now, we have rejected that approach.

I would like your confirmation of that, if that is your opinion. Is that your feeling, that in one significant sense with the Carter doctrine we have rejected the other approaches?

Mr. **Quandt**. The emphasis has shifted to being in a position to defend our interests by ourselves. In the situation where we can find regional friends to give us assistance, we are not going to reject it, but we should not become excessively dependent upon it.

Mr. **Hamilton**. Do you think there is a role to be played by friendly states in the Middle East to help protect our interests in that area?

Mr. **Quandt**. Yes; I do, if it serves their purposes as well.

Mr. **Hamilton**. We mentioned earlier in the hearing the facilities that the United States is seeking to establish in Oman, Somalia, and Kenya. I think both of you, Dr. Quandt and Dr. Zonis, approve the establishment of those facilities.

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[1] See app. 4, p. 416.

We have had some indication that the scope of those facilities wou be such that they will burden very heavily on the political structu of those areas. Particularly, I am speaking now in regard to Oman. I you have any similar concerns?

Mr. QUANDT. I support our search for facilities in support of Ame can presence. I am not sure that these particular facilities, as be designed, are the right ones.

In Oman, I think the key is to keep the American presence sma and limit it primarily to Masirah Island. If it expands much beyo that, it could be politically counterproductive.

I am least confident that the Somalia option is a good one. The pric tag will become very significant, and it may simply not be worth billion in assistance to Somalia if that proves to be the true cost. Th costs could become excessive for the benefits gained.

OMAN

Mr. HAMILTON. How do you assess the stability of the Sultan a the Government of Oman?

Mr. QUANDT. I have greater confidence in stability in Saudi Arabi than I do in Oman. I think Oman is more stable than the Shah' regime in its last couple of years. So it is somewhere between th Iranian situation, in my judgment, and where the Saudis are today.

Mr. HAMILTON. Dr. Zonis, do you want to comment on the stabilit of the Omani regime?

Mr. ZONIS. I think it faces important external challenge from Sout Yemen that could contribute to exacerbating indigenous politic forces. It seems to me that the possibility of rebellion is importa because of the effect that this would have on the capital, which is considerable distance away. I think that it is susceptible to stress tha is very dangerous to the regime.

SAUDI ARABIA

Mr. HAMILTON. Is Saudi Arabia really the key country for us?

Mr. QUANDT. Saudi Arabia, because of its oil reserves and its curren production, and its general tendency to be somewhat more moderat on price, is terribly important to the world because of the energ situation. If not for the oil, its geography alone would account fo something. But its oil makes it special. Yes, I think it is the singl most important country in that part of the area.

I think that in terms of the political balance in the region, wha happens in Iran is very likely to be extraordinarily important i tipping the balance of forces one way or the other.

Of course, if Saudi Arabia were to go the same route as Iran, it would literally be intolerable for the Western World. We could not si by and watch Saudi Arabia undergo a revolution that would cut it oil production from 9.5 million barrels a day to zero.

Mr. HAMILTON. What is going to be the impact of the Irania revolution on Saudi Arabia? We have seen press reports that it wil make the Saudis, and perhaps some of the other nations in that are as well, more nationalistic, more anti-Western.

How do you gage that, Dr. Zonis?

Mr. ZONIS. One of the principal consequences which concerns me is the possibility of a loss in the governing will by certain crucial members of the Saudi ruling establishment. There will be a sense that the end is, perhaps, not imminent, but over the horizon, along with those American bases. Therefore, they will prepare for the eventuality of that day. That kind of behavior becomes a self-fulfilling prophecy which spells the end of any regime.

I am very concerned that we try to counteract that impression with the Saudi ruling family.

Mr. HAMILTON. Dr. Quandt gave testimony that the Saudis had filed a 10-year life insurance policy. Would you be very generous, and say that 5 years from now the Saudi royal family will still be in power.

Mr. ZONIS. I would think so.

Mr. HAMILTON. Ten years?

Mr. ZONIS. I would hope so.

Mr. HAMILTON. You would hope so.

Mrs. Fenwick.

Mrs. FENWICK. Thank you, Mr. Chairman.

I have three questions, and I don't know who would most like to answer them.

IRAQ-IRAN DISPUTE

One is the import of the Iraq-Iran dispute; how serious is it; how apt is it to continue; are they going to rouse the Kurds again?

The second, apart from this extraordinary delivery of arms, are the Soviets. What can we do about North Yemen? Are there any steps that we could take to improve our relationship? Everybody seems to feel that maybe it is just dead.

Mr. ZONIS. I would like to comment on your first question. I am extremely worried about the relationship between Iran and Iraq. President Hussein of Iraq finds himself in the very difficult position of not being able to respond vigorously to the challenges which have been leveled against him by Iran for fear of either the possible disintegration of Iran or perhaps invasion by the Soviet Union, both of which would be very unsettling for his own regime.

His options are limited. Yet, there are constant threats made against him personally and against his regime. The dangers, therefore, are very great because there are temptations to use the forces which cross the common border: The Shiites in Iraq, the Kurds in Iran, the Arabs in Iran, and others, including Iranian opposition groups now in Iraq being supported by President Hussein.

I think that that relationship is extremely important, and potentially very threatening to both countries.

Mrs. FENWICK. Are there sincere differences?

Mr. ZONIS. Very profound and sincere differences.

SOVIETS IN NORTH YEMEN

Mrs. FENWICK. What about the Soviets in North Yemen, are they establishing themselves more and more friendly and more powerful?

Mr. ZONIS. I think that I had better turn to the Colonel. I really cannot answer that question.

Colonel **Ruszkiewicz**. For the 2 years I was there, clearly there were 120 Soviet military advisers.

Mrs. **Fenwick**. Any Cuban?

Colonel **Ruszkiewicz**. No.

Mrs. **Fenwick**. East German?

Colonel **Ruszkiewicz**. No; that is South Yemen.

When I left, we were more comfortable with a figure of 200. We had not yet seen what the infusion was going to be for a squadron of 12 Mig-21 aircraft, or if it were two squadrons of 12 Mig-21 aircraft. It takes as many as 300 people to maintain a squadron of Mig-21's, if they are going to bring in 300 Soviets.

You realize that for the F-5's, Saudi Arabia brought in about 80 Taiwanese to run that program. So you have the situation where you have Soviet aircraft and American aircraft. Which ones will fly better? Which ones will be maintained better?

As it is right now, we are counting on Saudi management to insure that ours will be flying as equally as credibly as the Soviets'. I have reservations about the success of that.

We have a small office of military cooperation with five or six military, compared with 200 Soviets, and possibly a lot more before much longer.

UNITED STATES-NORTH YEMENI RELATIONS

Mrs. **Fenwick**. What would you do, if you could do whatever you thought wise, to improve relations between North Yemen and the United States?

Colonel **Ruszkiewicz**. I would go back to what the Yemeni President wanted, and may still want, if the door is still open for that, and that is a direct relationship with the United States, and not a relationship which goes through the political fancy of another country.

Mrs. **Fenwick**. Would the Saudis very much resent that?

Colonel **Ruszkiewicz**. That gets into the dilemma we are in. Does another country dictate to us what our policy in that region should be? Or, should we act like a major power, and inform people what our policy is going to be?

I know these are rather hard words, but, by gosh, that is the name of the game right now.

Mrs. **Fenwick**. Would you answer that, Dr. Quandt?

Mr. **Quandt**. I don't know if I can answer your question. I would like to simply make one point.

If we ask the Saudis to pay for the arms, we have forfeited a degree of political independence. If Congress would want to see a greater degree of independence in the content of our policy toward North Yemen, we would have to pick up the bill. North Yemen cannot afford it on its own.

If we are not prepared to pay for our policy, then we subcontract that part of it out to Saudi Arabia. Then, we have to accept the fact that the Saudis will insist on conditions which may not be optimal for our interest.

I agree with the colonel that we have subordinated the conduct of our policy in North Yemen to Saudi preferences. Independent policy requires that we have the means to support it, and that we not delegate that to Saudi Arabia.

Mrs. **Fenwick.** Thank you.

Mr. **Hamilton.** Mr. Wolpe.

EVOLUTION OF SAUDI REGIME

Mr. **Wolpe.** I have three questions, Mr. Chairman.

I want to pursue the question of the future evolution of the Saudi Arabian regime, whether it may occur 5 years, 10 years, or 15 years, and the prospect of an alternative regime emerging somewhere down the road.

It seems to me if we become fixed upon the policy of support for that regime, once again we will find ourselves in the situation that we find ourselves in Iran today. Namely, our policy sets a condition in terms of identifying the United States with a particular regime, rather than with direction of policy.

I wonder if you might comment on that?

Mr. **Zonis.** I think that it is a very important point. It is a difficult political issue, but is at the heart of another step that we should be taking in the entire region: Improving the quality of the political reporting which is received in Washington, and the quality of the analysis to which it is subject.

We should also associate ourselves with particular policy goals. It is, of course, a very difficult distinction to maintain, but we should strive to separate our support of particular policies from that of particular regimes.

The most important single step the United States can take toward maintaining that distinction is to organize the formation and articulation of foreign policy within the U.S. Government. In that case, at the very least, the United States would understand what it seeks to accomplish and how it proposes to reach those ends.

Mr. **Wolpe.** The problem is not so much the instability in itself, but that we have become so identified with the status quo in terms of the regime in power. Then we get hooked into being perceived as creating our own self-fulfilling prophecy.

Mr. **Zonis.** That is what happened in Iran.

POLICY TOWARD IRAN

Mr. **Wolpe.** Would you assess the effect of the rescue effort? Are we in a worse position as a result of the failed rescue mission?

Mr. **Zonis.** My perception of the failure is that it has strong, negative implications. In Iran, the failure is seen as a demonstration of American weakness, the paper-tiger quality of the United States. It has been seen the same way throughout the region.

It has disheartened our allies, who expect strength, capability, and resoluteness from us. Quite to the contrary, it demonstrated that we are very shaky, indeed, and that we may likely produce further debacles of this kind.

Mr. **Wolpe.** Both you and Dr. Quandt offer a similar kind of policy prescription, one of essentially maintaining existing sanctions in place that have been announced, but not escalating sanctions and adopting a posture vis-a-vis the Iranians that we are not going to talk about any other relationship until the hostage question is removed, rather than intensifying pressure and making the hostage crisis the focal point of everything in the region and around the world.

I am interested in your reaction to the evolution of American foreign policy in this instance. Is that policy being pursued in your judgment, or, in fact, are we not doing precisely the opposite of what you have suggested as being most appropriate in the immediate circumstance?

Mr. **Quandt**. I think a lot of that remains to be decided.

I worried after the failure of the rescue attempt, which I think was worth a try. It would have had very positive benefits in the region as a course of getting the hostages out, had it worked, but its failure did set back our interests by quite a substantial amount.

I do think that it is possible for the President to exercise leadership on an issue like this. He can quite credibly go to the American public and explain why right now we have to pursue a course of steadiness and quiet diplomacy. You can't talk about this quite so much, because the heightened attention paid to this makes the Iranians more intransigent and strong.

Presidential leadership can have an impact on public perception. I had feared there would be a more hawkish attitude after the failure of the rescue mission, but I think that nobody wants to go into a military mission.

I think that it shows a sense of maturity and good sense that we are not quickly launching ourselves into further action. We are going to take some time to assess where we are today, and see what happens over the next month or two.

I hope that the political environment will allow that to happen and that no political candidate in this country will try to play politics with this issue. It is far too important for that.

Mr. **Wolpe**. Dr. Zonis?

Mr. **Zonis**. I share that perception.

I am extremely worried as to the pressures under which the President operates. The American people certainly had no inkling that this was coming. I hope nothing else is imminent.

Mr. **Wolpe**. Do you feel that our announced policy with respect to Iran has been one of escalation of the sanctions put in place earlier? Is it your judgment, based on your discussions and interactions with the administration, that that policy of increasing sanctions was motivated by expertise or was motivated more by political understanding of what was happening in this country?

Mr. **Zonis**. I have a feeling that it was a dual-based policy, one source of which was simply the implications for the domestic political fortunes of the administration. A second source was a general, and in my view quite inadequate, psychology to the effect that if you place people increasingly under duress and pain, they will end up at some point agreeing to your demands. That psychology does not follow from a close understanding of the Iranian situation.

Mr. **Wolpe**. Dr. Quandt indicated that one thing that could be done was a mining of the harbors, or a similar kind of a military action. Would that be yours as well?

Mr. **Zonis**. I think that it would be a very inadvisable policy.

Mr. **Wolpe**. Thank you.

Thank you, Mr. Chairman.

Mr. **Hamilton**. Mr. Gilman.

SAUDI ARABIA

Mr. **Gilman**. Thank you, Mr. Chairman.

Mr. Chairman, I regret that I had to leave the hearing to go to a meeting at the White House. But I have had an opportunity to be briefed on what has transpired, and I will read the transcript.

I would like to ask the panel what their thinking is with regard to the future prospects for Saudi Arabia. We have a great deal of reliance on a relationship with Saudi Arabia, and yet we hear reports that have aroused our concern about the internal weaknesses in Saudi Arabia.

What do you foresee as a role for Saudi Arabia? Are we going to have a problem in the near future? How serious are the problems? Can we build a strong relationship with them; and if so, how?

If either panelists would respond to that. Dr. Quandt?

Mr. **Quandt**. Very quickly to restate some of what I said on other occasions.

I don't think Saudi Arabia is on the verge of revolution. I am not good at predicting the political future, but from everything I know about the country, they have a reasonably good prospect of coping with the problems that they confront.

This is not to say that there are no problems. There are quite a few. But I would not predict that the problems are insurmountable, as long as they are largely of a domestic nature. If they faced a major external crisis, it could significantly exceed the capacities of the regime.

For the foreseeable future, 4, 5, 6 years, we have no reason to doubt that the current Saudi leadership, with perhaps some adjustments here or there, will be in charge of Saudi policy. It is a reasonable period to try to plan for.

We cannot expect the United States-Saudi relationship to involve a perfect identity of views. The Saudis want to preserve their position in the area, and from time to time they will keep their distance from us.

We will have to be sophisticated enough, and mature enough, to understand that this is a part of their survival strategy, and if we push them to do things that we think are good, like supporting the Camp David Israeli-Egyptian peace treaty, it may ultimately prove to be a great mistake because it could erode the bases of support for the Saudi monarchy and intensify their inter-Arab political problems.

We will have to accept a degree of difference on these kinds of issues, but I think we can have quite a close and substantial relationship. We have to pay attention to it, and we cannot take it for granted. But there is no reason that there should be any rupture in the United States-Saudi relationship, provided that we handle our side of it with a degree of sensitivity, which sometimes has been lacking.

Mr. **Gilman**. Dr. Zonis.

Mr **Zonis**. I share Dr. Quandt's views about the future of the United States-Saudi relationship.

I am concerned, in the long run, that there are factors which will lead to instability in Saudi Arabia, to some extent repeating the Iranian experience. I am very worried about, as I have implied, the will to govern under the moral crisis which I perceive to be present in Saudi Arabia. This is something that will take a number of years to work itself out, but which I would hope a bilateral relationship with the United States would contribute to alleviating.

Mr. GILMAN. Colonel?

Colonel RUSZKIEWICZ. We sell arms to Jordan with money provided by Saudi Arabia. We sell arms to Egypt with money provided by Saudi Arabia. You don't see that control by the Saudi's that I was referring to earlier.

I do not share your respective degrees of optimism as to potential political upheaval in Saudi Arabia. Perhaps my reasons are more instinct than anything else, having associated myself in Yemen with Saudis, and seeing the manner in which they operate, the manner in which they put on a good front. They don't want to give out bad news because you don't want to hear bad news, and this type of thing.

When the mosque in Mecca was occupied, my first reaction, and it still persists, was this was probably the first visible symptom of internal upheaval in that country. I would be more inclined, in terms of what our policy should be toward Saudi Arabia, to the worst case situation. You are suggesting 5 to 6 years at least with no trouble on the horizon. My worst case is 2 years. It is an arbitrary figure, of course, but worst case.

I think if the United States in its policy toward Saudi Arabia would make its approach from my perspective, perhaps we could be more positive, and establish further down the road a viable relationship with the country and avoid some of this upheaval. Surprisingly, none of us suggests that there will not be upheaval. We are just differing in the time period. My suggestion is—worst case.

Mr. GILMAN. Do you have some recommendations about what we can do to help stabilize Saudi Arabia?

Colonel RUSZKIEWICZ. No; I do not, really. I have not focused on that particular question. I would be talking off the top of my head.

UNITED STATES POLICY TOWARD SAUDI ARABIA

Mr. GILMAN. Do you have any suggestions with regard to helping bring some of the internal corruption under control in Saudi Arabia? Is there any role that our country could play?

Colonel RUSZKIEWICZ. The old expression is that money corrupts. There is a lot of it that is being tossed around over there. I have heard various stories about money being put here and there, and so forth, and how it is used, and so forth. But I don't think that has been solved adequately anywhere, really.

Mr. GILMAN. Dr. Quandt?

Mr. QUANDT. I would like to mention three things that I think we can do that might be helpful.

One, keep the American official presence out there as small as possible. We should not seek to put in lots of American military men in Saudi Arabia as a part of the Carter doctrine. I think that could be destabilizing.

Second, as a part of our military relationship, we provide a vast amount of equipment to Saudi Arabia, and we do a lot of training. In the course of the training, we try to convey certain concepts of efficiency and rationality which could have the net effect of creating an autonomous Saudi military capable of acting on his own, without political directives.

It is not in our interest to see Saudi Arabia have a coup-making force. If the Saudis choose to go down the road of military modernization by their own standards, I think that we ought to let them do so.

We have a tendency to want to make sure that they are using their equipment efficiently, and impose our standards on them. If we succeed, we could be laying the ground for a turbulent situation by the end of the decade.

The third point is on corruption. It is a serious problem, and one that is inevitable given the amount of money, and American businesses tend to at least do their share to contribute. We do have a Corrupt Practices Act in this country, but whether it has ever been enforced seriously, or if it has applied seriously to American businessmen in Saudi Arabia, I am not sure.

It seems to me, henceforth, American businessmen operating in Saudi Arabia should be told by the American Government or by Congress that the Corrupt Practices Act will be enforced insofar as enforcement is possible. Any clear violations of the act will not be allowed simply because they happen to be good business and improve our balance of payments.

Mr. **Zonis**. On the corruption issue, I am fairly convinced that widespread corruption contributes to Saudi Arabia's inclination to produce large amounts of petroleum. In that sense, there is a benefit to the United States.

A second issue, on the military. A tangible thing that we might do when we train these members of the Saudi Arabian military is to find out who they are, where they stand, and what they will do when they get back. There was no such monitoring of Iranian military personnel in this country, as a result of which we have no connection with the present leadership of the Iranian military.

Mr. **Gilman**. Do you have any comment on that?

Colonel **Ruszkiewicz**. The Saudis play their cards close. You ask a Saudi what time it is, and he wants to know why you want to know. If you ask him about his family, right away he goes up on his toes.

We have tried, but it is not all that easy to get information of a personal nature out of a Saudi. Historically, they don't discuss politics. They don't discuss women. They don't discuss religion. There is not much else you can make small talk about. We just cannot get this kind of information.

NEED FOR BETTER INFORMATION

Mr. **Gilman**. I know my time is about to run out. You mention the question of impeding the flow of information, and the lack of a proper analysis back here in Washington because of that sort of obstruction.

What do you recommend to resolve that problem, so there is a direct flow of information from our people out on the front line?

Colonel **Ruszkiewicz**. In my particular case, I had to use the Embassy's communications channels, and I had veryspecific guidance to the fact that I could only use these channels for my reporting. Of course, the Ambassador signed off on my reporting. I could never go the back channel, and say, they are stopping me. I could only do that through the pouch, which I did.

I made mention to a lengthy report on intelligence failure, but I had to pouch that out, and it took 2 weeks to reach Washington. The point here, intelligence information, especially in a case like the border war, is perishable. Washington does not want to know 2 weeks later that such and such is happening today.

Mr. **Gilman.** You had no direct communication into the Pentagon—immediate, direct communication?

Colonel **Ruszkiewicz.** Yes, I did, but it was the Embassy's communication channel.

Mr. **Gilman.** Edited by the Ambassador?

Colonel **Ruszkiewicz.** Yes.

Mr. **Gilman.** With your permission?

Colonel **Ruszkiewicz.** With my grudging permission, yes. I should say that it is a good expression. I have three specific examples in my written comments.

Mr. **Gilman.** I read it.

Then you are recommending very strongly that there be a direct line of communication?

Colonel **Ruszkiewicz.** We all have to speak our minds, and be permitted to speak our minds.

I remember reading a report on Iran when the question came up, and one of the things that went wrong, of course, 2 or 3 years ago, whoever was the Ambassador wanted only good things going out about the Shah, and not some of these other things that were not quite so complimentary to the person as an individual. That is wrong, you see. The same thing is true for anything.

You people sit back here and you want information. In my case, the Defense Intelligence Agency has a large number of analysts, those are the guys who should be the ones sifting through this information, "Ruszkiewicz, you sent in a report which is useless," let them decide whether it is useless, and not what the Ambassador says is useless. I just sent my stuff in and let it be processed.

This is the thrust of one of my main themes—information that should have been brought here, analyzed, processed, and disseminated, never reached Washington.

Mr. **Gilman.** Thank you.

Dr. Quandt?

Mr. **Quandt.** I would like to say one word on this point. I was one of those in Washington on the receiving end of reports from North Yemen during this period. I don't know whether I read his report, or whose, but I was quite aware that there were different views on Yemen, the nature of the South Yemen threat, and I was quite aware of the incompetence of the North Yemenis in absorbing American military equipment.

I do not believe that that information was seriously suppressed or it would not have gotten to me. It was quite a marginal issue from my point of view. I was not primarily responsible for it, but I was aware of virtually everything that the colonel has said here today, and I was in a policy advisory role.

Wherever the source of information, whether it was coming directly from CIA or DIA, it was in fact getting to us. It may have been discounted, or it may have been countered by other reports, but it was not in ignorance of the information that that policy was made toward North Yemen.

Colonel **Ruszkiewicz**. I also made that point, too, that the information was available, and it was disregarded for domestic political purposes at the time.

Mr. **Gilman**. Thank you.

Thank you Mr. Chairman.

OUTCOME OF IRANIAN REVOLUTION

Mr. **Hamilton**. Dr. Zonis, where do you think the Iranian revolution will come out?

Mr. **Zonis**. Why not. I expect a unified nationalist independent Iran, which is not beholden to the United States or the Soviet Union. It is going to be a very rocky road before we get there.

Mr. **Hamilton**. Extending over a number of years?

Mr. **Zonis**. A number of years.

Mr. **Hamilton**. Do you think that the Iranian moderates are losing out at the present time in the struggle for power there?

Mr. **Zonis**. I think there is no question that they are losing in their struggle for power. I would not be at all surprised if the President, Bani Sadr, has already tried to resign on many occasions, and has been prevented from doing so. He has very limited power.

Mr. **Hamilton**. How do you see the relationship between Iran and the Soviet Union developing in the future? Will they be leaning more toward the Soviet Union than they are today, and in the recent past?

Mr. **Zonis**. I have no reason to expect that to be the case. There are very good strategic, geographic, and economic reasons for any Iranian regime to consider the Soviet Union as their natural enemy. It is a given within Iran that Ayatollah Khomeini will make much of his enmity toward the United States. It is also understood, however, that the Soviet Union is a great menace. The risk factor, of course, is the incoherence of Iran. The turmoil could be so great that there are a number of circumstances under which one could imagine the Soviets intervening and domestic Marxist forces coming to power.

Mr. **Hamilton**. I want to say that we have appreciated your testimony very much. It has been exceedingly helpful to us. Your testimony has been excellent in each case. We thank you.

The subcommittee stands adjourned.

[Whereupon, at 4:25 p.m., the subcommittee adjourned, subject to call of the Chair.]

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U.S. INTERESTS IN, AND POLICIES TOWARD, THE PERSIAN GULF, 1980

TUESDAY, JULY 1, 1980

House of Representatives,
Committee on Foreign Affairs,
Subcommittee on Europe and the Middle East,
Washington, D.C.

The subcommittee met at 2:35 p.m., in room H-236, the Capitol, Hon. Lee H. Hamilton (chairman of the subcommittee) presiding.

Mr. **Hamilton**. The meeting of the subcommittee will come to order. Today, the Subcommittee on Europe and the Middle East continues its hearings on U.S. policies toward the Persian Gulf with an examination of the energy issues.

It does not take more than a superficial examination of the world energy scene and trends to determine the vital importance to the United States and to our allies for the foreseeable future of a secure flow of Persian Gulf and North African oil. In fact, our dependence on Persian Gulf oil is likely to increase at the very time when we are struggling to initiate programs which are designed to make the United States less dependent upon oil from these distant lands.

The purpose of today's hearing is to review our relations with the principal oil-exporting states and the trends in oil supply and prices. We also want to review U.S. policies concerning how oil-importing nations should organize relations among themselves on energy matters, and how relations between oil-exporting and oil-importing nations hould be managed.

We are happy to have with us today Ambassador Joseph Twinam, Deputy Assistant Secretary for Near Eastern and South Asian Affairs, Department of State. He is accompanied by Mr. Gerald Rosen, Acting Deputy Assistant Secretary for International Energy Policy, Department of State, and Dr. James S. Moose, Deputy Assistant Secretary or International Energy Analysis, Department of Energy, who will present testimony prepared by Mr. Peter C. Borre, who was unable o be with us today. I think all of you have statements. Those will be ntered into the record in full, and I will ask you to summarize those tatements briefly before we turn to questions by the members of the ommittee.

Mr. Moose, I believe you wish to proceed first.

STATEMENT OF JAMES S. MOOSE, DEPUTY ASSISTANT SECRETARY FOR INTERNATIONAL ENERGY ANALYSIS, DEPARTMENT OF ENERGY

Mr. **Moose**. Thank you very much. I brought some charts with me which I hope illustrate some of the things I will mention. What I propose to do is start off by talking a little about what happened to us last year and in the first half of this year, and then give you our forecast for the rest of 1980, 1981, and 1985, and finally make a few comments about the Department of Energy's policies with respect to various consuming and producing countries.

OPEC OIL PRICES

The first chart[1] shows the average price of OPEC oil here in dark and the price of Saudi light is the dashed line. Starting at the beginning of 1979, when Saudi light was $12.70, it has now gone up to $28, and the average OPEC price has gone from $12.98, at the end of 1978, to a current price with the Kuwaiti and Iraqi increase, and so forth, of somewhere in the neighborhood of $31.65.

This next chart shows the same information on a longer time scale in both nominal prices, the dark line here, and the dashed line, which is real prices; that is to say, the nominal price deflated by a measure of inflation.

What you see here is, we had the sharp spurt in oil prices back in 1973–74, another spurt in 1978–79, and in real terms they are rather comparable. In fact, the 1978–79 spurt may be somewhat larger than it was back here in 1973–74—a very large surge in prices.

The result of the most recent surge in prices is the buildup of very large current accounts and trade deficits by all non-oil-producing countries.

OIL IMPORT BILLS

This next chart shows the oil import bill for the United States. It went from around approximately $42 billion in 1978 up to an estimate of $90 billion this year and will be somewhat more in 1981. The crosshatch area represents the non-U.S. OECD; in other words, the other industrial countries—Western Europe and Japan. Their oil bill jumped from $91 billion to $188 billion, with the LDC's jumping from the $21 billion to $50 billion. For the non-OPEC world, the total oil bill is about $330 billion; the trade deficit is about $187 billion this year, and the current account deficit is about $127 billion. This is just an enormous drain on the whole world.

PRODUCTION FORECAST

Let me now talk a little about our forecasts. This chart, which was actually used originally by Dr. Sawhill in his testimony in February to the Senate Foreign Relations Committee, shows sources of oil production for the world in 1979 and our estimate for 1985. In 1979, you had approximately 20.6 million barrels per day of non-OPEC production, 31.3 million barrels per day OPEC production, and 800,000 barrels from the Soviet Union, which satisfied the total world demand of 52.8 million barrels per day.

In 1980, we are expecting world demand of approximately 50.8 million barrels a day, about a 2-million-barrel-per-day drop. This year we are expecting about an 800,000-barrel-per-day increase in the non-

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[1] The charts referred to appear at the end of Mr. Moose's prepared statement.

OPEC world production, up to about 21.5 million barrels per day, and a drop in OPEC production, itself, down to about 28.8 million barrels per day, a 2.5-million-barrel-per-day drop.

Normally, you would think that would put downward pressure on prices. It hasn't because the various OPEC countries have been cutting back their production to meet the lower level of demand.

In 1981, we see the same pattern continuing on a somewhat lesser scale; we are looking for around a 0.5-million-barrel-a-day drop in world demand in 1981 with non-OPEC production up to about 22¼ million barrels a day, and OPEC dropping to about 27½ million barrels a day.

Unfortunately, we again expect further cutbacks by the OPEC countries and, therefore, do not expect to see any significant price erosion in 1981.

Looking ahead to 1985, what we anticipate is that we will have about 24 million barrels per day of non-OPEC production, about 15 million barrels per day from the OECD and probably about 9 million per day from the non-OPEC LDC's with the primary increase coming from Mexico. From OPEC, we are looking for about 29 million barrels per day—and that should give us a total world supply—when you subtract 1 million barrels a day from the Communist bloc because they will shift from being a net exporter to a net importer—of about 52 million barrels a day, roughly the same amount of oil that was available in 1979.

So, in essence, we are saying over the next 6 years, the amount of oil available to the Western world is not going to increase.

OPEC PRODUCERS

Now, why do we come up with a pessimistic view of OPEC? Let me work my way through the individual countries. I think this chart shows various OPEC countries here on the left. I will ignore Ecuador and Gabon. They are marginal producers. I think the rest of the OPEC producers can be divided into three basic groups. One is a group of about five countries which have geological constraints on their production. These countries are Libya, Nigeria, Venezuela, Indonesia, and Algeria. In all of these countries we think that production will at best be flat or down from the corresponding 1979 level. Now looking at them individually, Libya has pretty good prospects, but they have not done much exploration; they need a lot of work to be done in the country, and their production and capacity have been deteriorating since 1970. We see no signs this is going to turn around, so probably they will drop off further, and the 1- to 9-million-barrel-a-day figure we are forecasting for 1985 could be a little high.

In Nigeria, very little new oil has been found; they have limited prospects, also, and we think their production will decline. Venezuela has good prospects, but for 5 or 6 years before they took over the oil industry in Venezuela, there was little in the way of exploration activity. Thus, lacking past exploration, they are depleting existing reserves of light oil; their production will decline to 1985, possibly rising after that with the advent of the Orinoco heavy oil.

In Indonesia, we are looking for essentially flat production. Indonesia actually has a good exploration program going, but the Indonesians are finding a bunch of smaller fields, 20 to 50 million barrels a day. On that basis it is difficult for them to raise production and they have to continue heavy exploration to maintain the existing production level.

Those are the five countries with geological constraints on production.

Then you have what I call the three traditional sheikhdoms, in the Persian Gulf—Kuwait, UAE, and Qatar. All of these countries have very small populations, very little need for income, and we do not think they will increase their production very much over the 1980 level, which in Kuwait's case is approximately 1.8 million barrels a day of crude and maybe 100,000 or 200,000 a day of liquids; 1.8, 1.9 million barrels per day, in that area, for the UAE; and Qatar will probably hold steady at about 500,000 barrels a day. They don't need the funds, and certainly there is no reason for them to increase output.

That brings us to the "Big 3" in terms of world oil exports—Saudi Arabia, Iran, and Iraq. There the decision is primarily political, and I am sure Mr. Twinam will talk about that. In Saudia Arabia, we forecast 1985 output of; 9.3 million barrels a day which reflects their target level of 8½ million barrels a day, of crude, plus the neutral zone, plus gas liquids. It is possible we are a little low on that; they might go to an upper level of 9.5, which would give you an estimate of 10.3 million barrels per day but again we think, erring on the conservative side, it is safer to stick to 8.5 million barrels per day of crude.

For Iran, we estimated 3.6 million barrels per day in February. I think we would lower that now. Currently, Iranian capacity is probably somewhere under 3 million barrels per day due to the rapid deterioration in the oilfield facilities under the Khomeini regime. If they don't do something in the next couple years, they will be out of the oil export business entirely, given the rate of deterioration. A forecast in the neighborhood of maybe 2½ or 3 million barrels per day would be a good number for 1985 although any forecast for Iran is a guess.

Iraqi productivity is primarily a political decision, and somewhere in the neighborhood of 3 to 3.5 million barrels per day in 1988 is probably what they should be doing. It is difficult to support much more than that in terms of current productive capacity and their need for revenues. Add all of these together, we think 29 million barrels a day is probably a pretty good number for OPEC in 1985.

OPEC production of 29 million barrels per day limits the world oil supply to about 52 million barrels a day in 1985. This chart shows where the OPEC oil is being used; 27 million barrels a day to 29 million barrels per day will be going into the industrialized countries, with a little bit—0.4–0.5 million barrels per day—to the non-OECD free world industrial countries primarily in this case Israel and South Africa. This chart also points out that something in the neighborhood of 60 to 66 percent of the world oil in trade comes from the OPEC Persian Gulf area.

U.S. DEPENDENCE ON PERSIAN GULF OIL

Finally, let me show you this last chart which gives the U.S. dependence on the Persian Gulf. These figures here can be revised somewhat in terms of the absolute level, but the percentage figures are correct, and basically we think between 1979 and 1985 there will be a slight increase in U.S. dependence on the Persian Gulf from 31 percent of our imports to 34 percent in 1985. The reason for this is that we expect that the African exporters, that is Libya, Algeria, and also Nigeria, will export less both because internal consumption will be rising and because of geological constraints. Therefore, we believe relatively the Persian Gulf will increase its share of exports to the United States, not by a great deal, but by a small amount.

Japan and Western European dependence on the Persian Gulf will be essentially unchanged, a very small change in Western Europe with the advent of North Sea oil, but not much to talk about.

DEPARTMENT OF ENERGY POLICIES

Last, commenting on some of our policies in the Department of Energy, I have split these policies into two groups, policies with respect to consuming countries, and with respect to producing countries.

In terms of consuming countries we are working with a number of countries in the IEA and France to reduce demand for oil, and, second, to increase non-oil sources of energy.

There are a number of things we have been doing. There is a coal export task force decision by the summit not to have more baseload electric facilities using oil, and so forth. We also have bilateral cooperation with these countries, an example being our solvent refined coal project jointly with the Japanese and the Germans.

In terms of the producing countries, we have a number of projects ongoing with them. With the Saudis, we have the Soleras program, a $100 million project, jointly funded by us and the Saudis to develop solar energy.

We have some work ongoing with the Mexicans, which probably will take the form primarily of solar and geothermal research and we are cooperating with the Venezuelans on heavy oil recovery. For the LDC's in the international energy area our main emphasis is on the international energy development program, which is a program to assist some of the major LDC's to try to produce some sort of energy plan and encourage them to reduce their dependence on imported oil.

That is pretty much what I had to say on the subject.

Mr. Hamilton. Thank you, Mr. Moose. All of these charts will be entered into the record without objection.

[Mr. Moose's prepared statement follows:]

PREPARED STATEMENT OF JAMES S. MOOSE, DEPUTY ASSISTANT SECRETARY FOR INTERNATIONAL ENERGY ANALYSIS, DEPARTMENT OF ENERGY

I welcome the opportunity of appearing before your Subcommittee to provide an assessment of the oil outlook in the Persian Gulf and the Middle East.

My colleagues from the State Department will concentrate upon U.S. policies toward individual OPEC states. I would like to address the topics of oil market trends, developments within various oil exporting countries, policies aimed at insuring energy supplies, and some of the implications of the Brandt Commission report.

It is worth stating at the outset that one of the few positive developments on the international energy scene is the recent performance of the U.S. in bringing our oil requirements under some degree of control:

- o Compared to the early months of 1979, demand for oil in 1980 is down by 9 percent; gasoline use is down by 8.4 percent, and imports are almost a full 1 MMB/d below last year's constrained levels.

While some of these results are due to the economic downturn, it is clear that as the effects of the 1979 crude oil price surges work their way through the market place, a strong measure of conservation is finally taking hold in our energy economy. Furthermore, with the imminent enactment of the Energy Security Act, it is fair to say that we have finally put in place the framework of a strong and comprehensive national energy policy.

The National Energy Act of 1978, the April 1979 decision to decontrol domestic oil prices, the Windfall Profits Tax, and the prospective establishment of the Synthetic Fuels Corporation and the establishment of tax and budget incentives for energy conservation and renewable resources, along with many other legislative and administrative actions within recent years, represent the completion of a long process of adjustment to the new realities which emerged after the 1973-1974 oil embargo.

With the perfect knowledge of hindsight, the period between early 1974 and late 1978 appears as a lost opportunity for the oil consuming nations. Oil prices actually declined slightly in real terms, giving the industrialized world almost five entire years to come to grips with the central energy issue -- the need to undertake an orderly transition away from oil consumption and oil dependence. And yet, by 1978, a year marked by the onset of the Iranian revolution, net oil imports by the member countries of the IEA peaked at a level of 24.4 MMB/D. For the U.S. there was a moderate reduction in our net oil imports excluding the Strategic Petroleum Reserve, from our all-time 1977 peak of 8.5 MMB/D, to a 1978 level of 7.84 MMB/D. This reduction took place because North Slope production began, a one-time event rather than a trend.

The oil market upheaval of 1979, of course, was beyond the range of anyone's forecasts. In December 1978 the average FOB price was $12.98, and when - during that month - OPEC established at their Abu Dhabi meeting a schedule of quarterly price increases for 1979 totalling 13.5 percent there was widespread consternation that this would damage the fragile world economic recovery then underway; by December 1979, the average OPEC price virtually doubled, rising to $25.59; and as of June 1, 1980 the OPEC average has increased further to $30.88.

Based on OPEC prices in effect in May of this year, the Treasury Department estimates that the U.S. oil import bill for 1980 will amount to approximately $90 billion; to put this figure in perspective, in 1975 our import bill was $25.1 billion, and in 1970 it amounted to $2.7 billion. Furthermore, the OPEC trade surplus for 1980 is estimated at $175 billion, or $127 billion on a current account basis; these figures present the world monetary system with a formidable new version of the recycling problem, and intensify acutely the trade payment problems of oil importing countries, particularly the oil-deficient less developed countries (LDCs).

The oil-deficient countries of Central America and the Caribbean - countries as diverse as tiny island republics and beleaguered nations such as El Salvador - face an oil import bill in 1980 of $3.5 billion; this is an increase of $1.5 billion over their 1979 oil import bill, and is the major contributor to their projected 1980 trade deficit of $3 billion.

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Behind these aggregates there are grim political realities emerging all-too-visibly in some of these countries, accentuated by the strains imposed by the world oil price structure.

Viewed statically, the world oil market today is in apparent equilibrium, however, the transfers of wealth that are taking place at current oil prices are imposing acute economic burdens on oil-importing countries. More disturbingly, both in the short-term (the next 1-2 years) and in the middle term (1985), the prospects for the world oil market are troubling.

Short-Term Outlook

Falling oil consumption and high inventory levels brought the oil market into balance in early 1980. Free World oil consumption in the first quarter fell by about 5 percent, or some 2.5-3.0 million barrels per day (MMB/D) from year earlier levels, in response to higher prices, relatively mild weather and continued substitution of other fuels. Preliminary data indicate that first quarter oil consumption fell by 12 percent in the United States, 4 percent in Japan, 8 percent in West Germany, 13 percent in France, 3 percent in Italy, and 14 percent in the United Kingdom. Our preliminary estimate for the second quarter of 1980 is a further decline in Free World consumption of 2 percent, compared to 1979.

The decline in oil demand was accompanied by a major cutback in Iranian oil production and output reductions in several other OPEC countries. OPEC production dropped again in the second quarter of 1980, mainly in Kuwait and Iran. These production and consumption patterns resulted in inventory drawdowns of only about one MMB/D, roughly one-third the estimated "normal" level for a first quarter drawdown. In the second quarter of 1980 we estimate that stocks have been built up at a rate of nearly 2 MMB/D. Consequently, Free World primary oil stocks of 5.3 billion barrels, projected for the end of June of this year, would be nearly 600 million barrels above year earlier levels.

For the year as a whole, we estimate that Free World oil demand in 1980 will be around 50.8 MMB/D, down from 52.8 MMB/D last year. We estimate that non-OPEC oil production will increase by about one MMB/D this year (of which 0.4 MMB/D from the North Sea and 0.5 MMB/D from Mexico), OPEC oil production is expected to be around 29 MMB/D, or approximately 2.6 MMB/D below levels in 1979.

Free World oil demand could fall further in 1981 to around 50.2 MMB/D due to continued sluggish economic growth, the impact of rising real oil prices and increased non-OPEC oil output. Non-OPEC supplies are expected to increase an additional 1 MMB/D in 1981 (again largely from Mexico and the North Sea). OPEC production (including OPEC internal consumption) should be about 27-28 MMB/D if demand remains weak.

Given these circumstances, conventional analysis would suggest a price plateau, or price softening during 1980 and 1981, as the effects of the 1979 increases are absorbed. Yet OPEC price movements have not yet flattened out:

- In early January of this year, the average OPEC price after the inconclusive Caracas meeting of December, had reached a level of almost $27;
- Later in January and early February, after a Saudi effort to restore price unity had triggered another round of increases, the OPEC average rose to $29;
- During May, as part of the run-up to the June OPEC meeting, another Saudi effort at price unity was followed by more increases, with the OPEC average reaching a level of almost $31 prior to the Algiers meeting.

The coincidence of price increases and apparent balance between supply and demand strikes some observers as paradoxical; the paradox is dispelled, however, if market expectations and anxieties are taken into account. The key factor at play appears to be a desire on the part of the consuming countries and the oil companies to build stocks, to protect their supply lines, and to secure access to oil, even at higher prices, over the course of a very uncertain future, both in the near-term and over the longer run.

The production trends in OPEC since last summer have heightened the consuming countries' concern about future availability of oil; in the aggregate, OPEC countries have reduced production by roughly 3 MMB/D:

- Iran has lowered its production ceiling from 4 MMB/D to 3 MMB/D; more significantly, unreasonable Iranian pricing demands have recently resulted in a drop in exports to considerably less than 1 MMB/D. It is encouraging that - to date - a number of companies, particularly in the UK and Japan, have refused to pay the higher contract prices proposed for Iranian oil.
- Kuwait has reduced its production ceiling to 1.5 MMB/D from a level of 2.0 MMB/D last year. (This excludes Neutral Zone production.)
- Libya cut its production from 2.1 million b/d in early 1980 to 1.75 million b/d in April 1980.
- Nigeria, and the United Arab Emirates have reduced production since last summer; the combined total reduction is approximately 300,000 B/D.
- Venezuela has set its 1980 production ceiling at 150,000 B/D below its level for 1979.

These developments serve to explain the recent willingness of consuming country oil companies, private and government - controlled, to accept stiff and growing price terms. In addition, we have recently seen a significant tightening up of side requirements on new contracts; many of these requirements increase the effective price, introduce further commercial rigidities and distortions into the international logistical system, and give some producing countries a new dimension of downstream influence. The requirements include destination and transit restrictions, end-use certification, processing arrangements, substitution at will of inferior crude grades, and more stringent tanker preference conditions.

In summary, therefore, even with a degree of balance in the market between supply and demand since the beginning of this year, producers have imposed a series of price increases with prices rising faster than inflation. Consumers have accepted most of these actions because supply security is a growing concern on their part.

Middle-Term Market Outlook

While the short-term outlook is characterized by price pressure due to uncertainties about supply stability and concern about improving access to future supply, the prospects through the middle-term suggest that a structural imbalance could re-emerge, and add significant further pressures to oil prices.

It is possible to devise a scenario of national market balance by the mid-1980s, with economic growth for the industrialized countries at reasonably healthy levels and moderate increases in real oil prices.

In this scenario, between 1979 and 1985, world oil consumption would be flat or perhaps decline somewhat. Demand will be restrained by high and rising real oil prices combined with moderate economic growth and efforts by most major oil consuming countries to shift away from oil. U.S. oil consumption will almost certainly decline while Western European consumption will be flat to down. Japanese oil consumption may rise slightly, but not very much. The main source of additional demand will be rising OPEC internal demand and perhaps some increases in consumption in the more fortunate LDCs.

Non-OPEC oil production will rise significantly between 1979 and 1985 in spite of an anticipated decline in U.S. domestic output. Most of this rise will be in Mexico and the North Sea with LDCs such as Egypt also making a contribution. The combination of restrained demand and rising non-OPEC production means that the net demand for OPEC oil will not increase and most likely will fall somewhat.

While the market is in balance for 1985 under this set of projections, there are several important variables that could throw these projections out of balance and result in moderate-to-severe structural market tightness, along with sharp and protracted price pressure.

1. To realize moderate growth rates in GNP (2-3%) there must be a decoupling of the very close relationship between

oil demand and GNP growth which has existed during the post World War II period. This is feasible as is illustrated by our recent experience. (For example, in 1979 U.S. oil demand fell while GNP continued to grow.)

2. There must be significant growth in non-oil energy supplies, particularly within the OECD, between 1979 and 1985. Coal consumption must increase strongly while nuclear capacity is expected to surge. Gas supplies should increase somewhat. If any of these non-oil supply alternatives falls short of the expected contributions, a good deal of the unmet energy demand could shift its oil and would create further pressure.

3. By 1985, the Centrally Planned Economies are projected to shift to a net import position of up to 1 MMB/D of oil for the group as a whole from a 1979 net export level of 0.8 MMB/D. Demand for imported oil may be appreciably higher, but foreign exchange availability would limit actual net imports to around 1 MMB/D. If the Soviets suffer serious impairment of economic growth objectives because of energy shortfalls, they may seek to increase imports into the Bloc through barter arrangements, or ultimately through other non-commercial means.

4. The sizeable build-up in non-OPEC production forecast between 1980 and 1985 could be constrained by political decisions in selected key countries, especially Mexico. To conserve oil or to avoid overheating the economy, they may produce less than anticipated.

Perhaps the most significant element of uncertainty stems from the volatile geopolitical context within and around the Persian Gulf. Consider the following perspective from the middle of the Arabian Peninsula:

- Across the Red Sea - Soviet, Cuban, and Eastern European military presence in the Horn of Africa since the Ogaden war of 1977;
- Sharply-increased tensions, intermittent clashes, and threats of large-scale conflict between Iraq and Iran.
- Turmoil in the Yemens, including assassinations of heads of state, and the presence of Soviet military assistance teams in both countries;
- The continued unfolding of the Iranian revolution, a violent and epochal series of events that have yet to run their course; and
- Stresses of varying intensity along the Northern Tier region of Southwest Asia; these lines of conflict reach into Afghanistan and Iran, and they are detectable in other, contiguous areas reaching to the Mediterranean.

These developments undoubtedly have had some influence upon oil production and marketing developments within the area, including the following:

- A number of oil producing countries, besides Iran, are experiencing internal social and political strains due to industrialization and dislocation of traditional practices; as a consequence there is growing intention to control the pace of modernization, and to limit the level of oil production, as well as additions to production capacity.

- Although there is no formal production prorationing scheme known to be operating within OPEC, individual production decisions within OPEC have generally contributed to the maintenance of a precarious supply/demand balance, even as consumption has slackened.

- The recent vagaries of production and exports from Iran are too well known to bear repetition; furthermore, the contract conditions demanded by N.I.O.C., the Iranian national oil company, are so loaded on behalf of the seller that a buyer may very well ask himself whether such a contract provides any degree of supply assurance over its term. These uncertainties have crippled the outlook in a country which in 1978 was the world's second largest oil exporter, accounting for 17 percent of OPEC output in that year.

- Finally, stepped-up Soviet activity along parts of the area's periphery, notably the invasion of Afghanistan, create tension and the potential for instability.

The Middle Eastern and North African Oil producers

Since the oil producing countries of the Persian Gulf and North Africa will continue to be the mainstay of the world oil supply system at least through the better part of this decade, I would like to outline some of the main features of the area, and of the principal oil producing countries.

More than two-thirds of the 545 billion barrels of proven oil reserves that now exist in the Free World, (370 billion barrels) are located in the Persian Gulf area. North Africa (namely Libya, Algeria and Egypt), holds another 35 billion barrels.

In 1979, the countries in this area produced about 24 MMB/D of oil, 38 percent of Free World output, and accounted for almost two-thirds of the oil that moved in international trade. Significantly, ten percent of the Free World's oil comes from one field: the Ghawar field in Saudi Arabia. This year, due to Iranian, Kuwaiti and Libyan reductions, we estimate that the area's production will total about 22.8 MMB/D, or 46 percent of the Free World's total.

aggregate capacity in the area through the mid-1980s should remain roughly at prevailing levels, or perhaps grow slightly; this assumes, however, that policies on production and decisions on investment in capacity are not significantly or radically altered. In this regard, it should be kept in mind that the recent decisions to cut back production in Kuwait and elsewhere do not bode well; furthermore, there is increased discussion within Saudi Arabia on the future appropriateness of the existing production ceiling.

I would like to review briefly the individual Middle Eastern producers and the factors influencing their production decisions. The four traditional kingdoms -- Saudi Arabia, Kuwait, Qatar, and the United Arab Emirates are quite similar. All of these countries, except Qatar, have relatively large oil reserves but a relatively low capacity to absorb foreign exchange due to population size; consequently they are unlikely to increase production for economic reasons alone.

o Saudi Arabia is the most important producing nation with a current crude production level of 9.5 MMB/D, (excluding the neutral zone), 1 MMB/D above its ceiling level. With reserves of about 163 billion barrels, it could increase production above the current level; however, based on current policies, it would be imprudent to assume that sustained future production levels will be appreciably higher than the existing ceiling of 8.5 MMB/D.

- Kuwait has sizeable reserves of 65.4 billion barrels; the conservationist view that caused the recent cutback in production will probably continue to dominate, with production levels in the range of 1.8 to 2.0 MMB/D through the 1980s, including the Kuwaiti share of the Neutral Zone.

- The United Arab Emirates' production is highly dependent on Abu Dhabi and - to a lesser extent - Dubai, the major producing sheikhdoms. Our best estimate is that Abu Dhabi will produce between 1.4 and 2.0 MMB/D--possibly at the upper end of the range, given recent expansion plans; this implies total UAE output in the range of 1.7-2.3 MMB/D in 1985.

- Qatar production is approximately 500,000 b/d and is not expected to increase, due to limitations on reserves and low absorptive capacity for revenues.

Toward the other end of the spectrum are the revolutionary OPEC producers, Algeria, Libya, Iran and Iraq. Algeria has relatively modest oil reserves and a high capacity to absorb foreign exchange, but it is unlikely to risk exhausting its reserves by excessively rapid production. Libya's revenue absorptive capacity is limited, and its production policies are especially difficult to predict. Iran has sizeable oil reserves and large foreign exchange needs; consequently, based on the conventional economic view, there should be a strong built-in incentive to increase oil production and exports; however, the major uncertainty is political, and it dominates future production plans. Iraq has large reserves but moderate foreign exchange requirements; Iraq has taken a moderate and deliberate pattern of development to avoid disruption.

More specifically, our forecasts for these countries are:

- Iraq is OPEC's second largest producer with current output of around 3.5 MMB/D. Its sustainable production capacity could rise to 4.0-4.3 MMB/D by 1985, and its output might range from 3.5 to 4.0 MMB/D.
- Iran is the least predictable because its output will depend in large part upon political developments. In the 1980s, the production range could be as broad as 2.5 to 5.0 MMB/D, depending upon events.
- Libya, the most important producer in North Africa, cut its production to 1.75 MMB/D in April 1980. Despite good geological potential to add to its already substantial (23 billion barrels) reserves, production has declined sharply because of government quotas, strained relations with oil companies operating locally, and low investment. Production is expected to range between 1.8 and 2.3 MMB/D in 1985.
- Algeria has produced about 1 MMB/D for the last several years; crude output is expected to gradually decline since its main producing field (Hassi Messaoud) is aging. However, rising gas liquids production should keep total Algerian production of liquid hydrocarbons essentially stable.

Finally, we should mention Egypt, which is a small oil exporter, and not a member of OPEC. With good geological prospects, and policies to limit future internal growth in oil consumption, Egypt may export 400,000-500,000 B/D by the mid-1980's. Altogether, we look to the Middle East, and North Africa, to produce around 24 MMB/D in 1985.

Given these circumstances among the producing countries of the Persian Gulf and North Africa, the problem of access to energy supplies, and - in particular - oil, has become an overriding concern for most consuming countries; it also has the potential for introducing an acute element of divisiveness among the members of the Western industrialized countries.

Changing Market Structure

One of the most significant developments in the industrialized world's relations with producer countries has been a trend toward bilateral government-to-government arrangements in the international oil trade. Over the past few years, and particularly since the supply disruptions of 1979, there have been significant changes in the structure of the market, with crude oil increasingly sold through direct sales by producer countries to consuming country entities. As a consequence, the role of the major oil companies is diminishing. Supplies from producing countries to major oil companies under long-term contracts accounted for only 42 percent of all crude traded internationally at the end of 1979, compared with 75 percent in 1973.

Along with this reduction in the oil companies' share of crude oil trade, there has been an increasing role played by consuming country governments, or national oil companies, in securing oil supply. During 1979, the volume of oil purchased by the consuming countries' national companies increased by about 2 MMB/D to a level of approximately 6 MMB/D.

The U.S. relies upon the international oil companies (integrated and "independent") to arrange commercial supplies of oil. U.S. Government involvement has been focused on the development of strong bilateral relationships with the major energy exporting countries, and on multilateral cooperation among the industrialized consuming countries, principally through the IEA and the annual Economic Summits.

Energy Policies

I would like to mention some of these activities, and - because of the Committee's interest in the Brandt Commission Report - I would like to comment briefly on that report's recommendations in the energy area, since they raise the need to consider innovative ways in which oil producers and oil consumers might cooperate during the 1980s. At the government level, there is considerable activity among consuming countries aimed at cooperation in specialized areas with major oil producers. The U.S. has major cooperative energy initiatives with several countries, including R&D programs, joint studies on energy trade, and mechanisms for consultations.

- There is an active Memorandum of Understanding with Canada covering the development of heavy oil and tar sands; initial efforts are aimed at characterizing the resources, and evaluating various recovery technologies;
- With Mexico we have identified over 20 energy-related projects under the auspices of a Science and Technology agreement; activities will initially focus on solar and geothermal cooperation. In addition, we have completed, jointly with the Government of Mexico, a detailed review of the potential for increasing trade in electricity across the border.
- In March of this year, Secretary Duncan and Venezuelan Energy Minister Calderon Berti signed a Memorandum of Understanding on energy R&D cooperation. We have initiated a series of specific technical projects in the area of conventional and non-conventional oil development; it should be kept in mind that Venezuela's non-conventional oil resources, the Orinoco deposits, offer the prospect of expanding significantly the world's supply of oil if they can be developed economically, and in a manner consistent with Venezuelan national objectives.
- Under our arrangements for bilateral cooperation with Nigeria, we have established an Energy Working Group; this mechanism will give us an institutional base for regular consultations with our second largest source of oil imports, and with a prospective major exporter of natural gas.

- o With the Kingdom of Saudi Arabia we are operating the "Soleras" program for solar energy. This was established in 1977 to operate over a five year period, with 50/50 contributions to a budget total of $100 MM; major activities will include:
  - a solar-powered village in Saudi Arabia; this will consist of a 350 Kwe photovoltaic array;
  - an active solar cooling hardware package, which will be tested and developed in the U.S.;
  - solar-powered desalination units;
  - specific projects in biomass conversion, wind installations and ocean-thermal-expansion units.

The U.S. can also assist developing countries, whether oil exporters or oil importers, in their energy planning. Over the course of the 60s and 70s, with the growth in world oil production and trade many oil-consuming countries overlooked their potential for oil conservation, and for the development of supply alternatives. The Department of Energy has undertaken the International Energy Development Program (IEDP) to assist developing countries in improving their capabilities for national energy planning. The program is based upon a comprehensive country energy assessment; this is a thorough technical and economic evaluation of national energy needs, uses, and resources, and is done in close cooperation with the host government. Assessments have been completed with

Egypt and Peru, and are currently underway with Argentina, Portugal and South Korea. We plan to undertake assessments with other countries in the near future, and will make a special effort to include within the program key energy-exporting countries.

International coal trade is a very topical and promising area. The potential for stepping up substantially our steam coal exports over this decade is very real; through multilateral cooperative arrangements such as the IEA's Coal Industry Advisory Board, we can encourage other exporters, current or prospective, to join with us in removing barriers to international coal trade, and in relieving pressure on the world's oil production base. A recent visit by a delegation from ASEAN, the political prouping of five South-East Asian nations, has highlighted the fact that internal consumption of oil in an oil-producing country such as Indonesia is growing too rapidly, approaching 25 percent of that country's production. In the near-term to mid-term, coal offers a valuable substitution alternative, releasing indigenous oil for the much more lucrative world market.

While our bilateral efforts at cooperation with developing countries are being increased, and are addressing real areas of opportunity for relieving oil market pressure, it is clear that the plight of the oil-importing LDCs is acute and is getting worse, not better, as increasing oil prices overwhelm the LDCs' trade balances, and the financing of oil import bills accumulated since the mid-1970s overwhelms their current account position.

The recently-issued report of the Brandt Commission is today perhaps the most widely-considered analysis and prescription for action on the subject of relations between the developed and the developing world.

The Brandt Commission Report is the result of over two years' work by a group of 18 prominent figures from both developed and developing countries. The Report is a statement of the priority issues in North/South relations; it urges support for Third World development, since this is a necessary investment in global survival; it also postulates that developed and developing countries have a mutual interest in reaching a consensus on solutions. To this end, the Report suggests over 100 measures, and an Emergency Program for the next five years that includes four main points concerning energy:

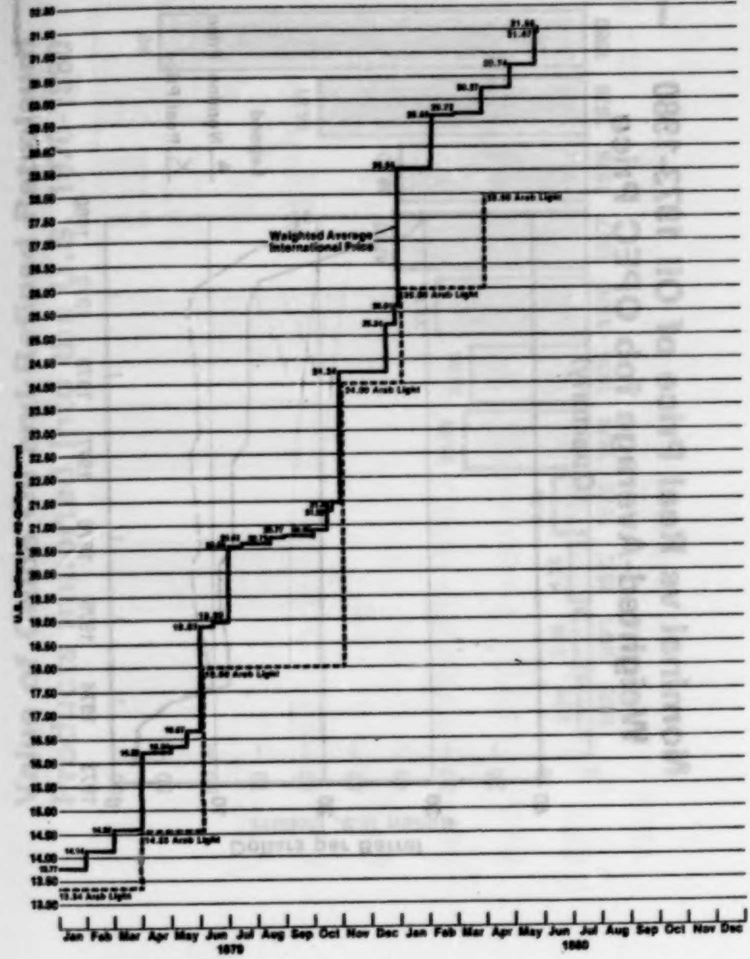
- A Producer-Consumer Accommodation;
- Substantial increase in international and regional financing of exploration and development;
- Establishment of a global energy research center; and
- Special arrangements to ensure that the poorer LDCs receive amounts of energy they need.

President Carter has approved an interagency task force review of the Commission's findings. That review is currently being finalized. Many of these energy items have been under discussion in the U.S. Government for some time and were considered at the Venice Summit. The Summit Communique acknowledged the Brandt Commission's Report and much of the Communique language was relevant to the Report's recommendations, including recognition of the need for a constructive dialogue on energy and related issues between energy producers and consumers.

We expect that eventually such a dialogue will take place, especially since such leading figures as Lopez Portillo, President of Mexico, have called for it. We must avoid, however, having too many countries involved and too many issues discussed since then very little would be accomplished. In addition, the consuming countries must very carefully consider what they can reasonably expect from the producing countries and what they can offer in return.

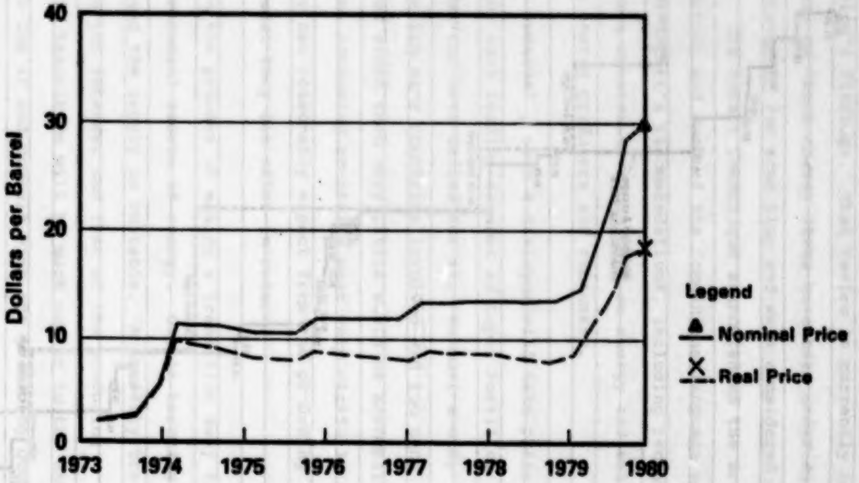
The world is in the process of making a transition away from oil as the incremental source of energy. Oil is becoming too expensive and the supply is unstable. An orderly transition is in both our interest and that of the producing countries. This transition will be much easier to the extent that we prepare for it and consult with the producing countries.

World Price of Oil1/

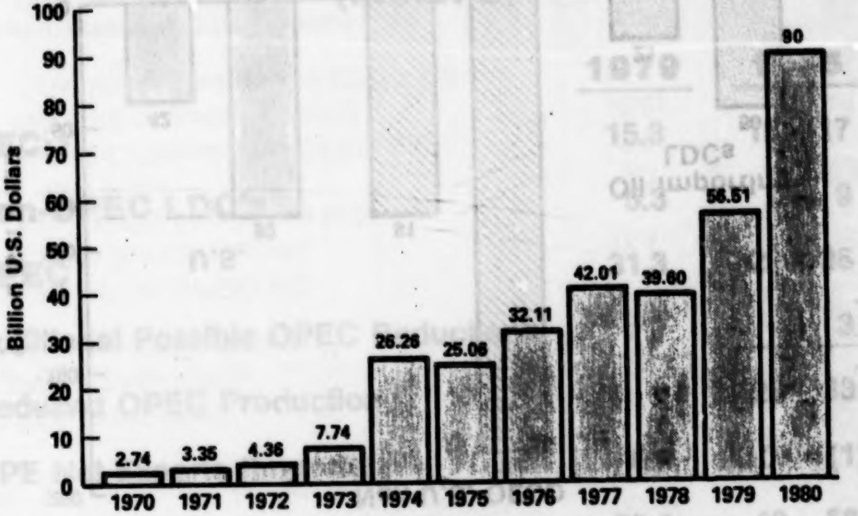


1/ Internationally Traded Oil Only

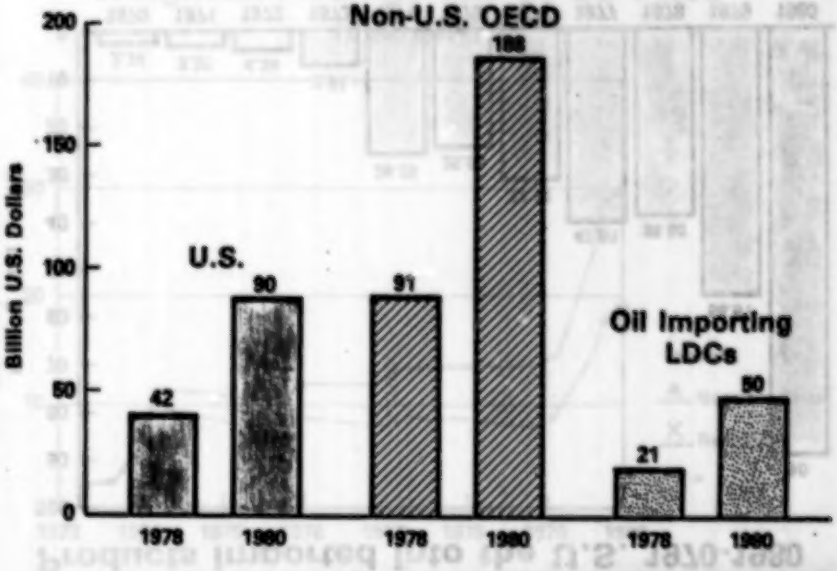
Nominal vs Real Price of Oil 1973-1980
Weighted-Average fob OPEC Price
(Quarterly)



Value of Crude Oil and Refined Petroleum Products Imported Into the U.S. 1970-1980



Oil Import Bill 1978 and 1980



Free World Oil Production

(mmb/d)

	1979	1985
OECD	15.3	15 - 17
Non-OPEC LDC's	5.3	7 - 9
OPEC	31.3	29 - 36
Additional Possible OPEC Reductions		3
Reduced OPEC Production		26 - 33
CPE Net Exports (Imports)	0.8	0 - (1)
Total Available Free World Oil	52.8	48 - 58

Demand for OPEC and Persian Gulf Oil

(mmb/d)

	1979	1985
OPEC Production	31.3	29 - 36
OPEC Consumption	2.3	4
Estimated OPEC Exports	29.1	25 - 32
Demand on OPEC Oil		
OECD Net Oil Imports	27.4	27 - 29
Non-OECD Free World Industrial Countries	0.3	0.4 - 0.5
Net LDC Demand for OPEC Oil	2.2	.1 - 2
Net CPE Imports (Exports)	(0.8)	0 - 1
Total World Demand on OPEC Oil	29.2	28 - 33
Estimated World Demand on Persian Gulf Oil*	20.7	20 - 23
(percentage of world oil in trade)	(62)	(62 - 66)

*Includes 0.4 mmb/d from non-OPEC sources in 1979 and 1985.

PEC: Crude Oil and NGL Production

(mmb/d)

	1979	1985
udi Arabia[1]	9.6	9.3 - 11.1
n	3.0	3.6 - 4.7
q	3.4	3.0 - 4.0
wait[1]	2.5	2.0 - 2.5
ited Arab Emirates	1.8	1.9 - 2.4
ya	2.0	1.9 - 2.4
geria	2.3	2.0 - 2.5
nezuela	2.3	1.8 - 2.4
donesia	1.6	1.6 - 2.0
geria	1.1	1.1 - 1.3
uador	0.2	0.2 - 0.2
bon	0.2	0.2 - 0.2
tar	0.5	0.5 - 0.5
Total OPEC	31.3	29.1 - 36.2

ncludes share of Neutral Zone

Dependence on Persian Gulf Oil

	U.S.	Japan	W. Europe	Total
1979 Preliminary				
Oil Imports (in mmb/d)	7.8	5.6	12.8	26.2
Import from Persian Gulf (in mmb/d)	2.4	4.1	8.0	14.5
(in %)	31	73	63	55
1985				
Oil Imports (in mmb/d)	8	6	13	27
Import from Persian Gulf (in mmb/d)	3	5	8	16
(in %)	34	73	62	56

HAMILTON. Mr. Twinam.

EMENT OF JOSEPH W. TWINAM, DEPUTY ASSISTANT SEC- TARY OF STATE FOR NEAR EASTERN AND SOUTH ASIAN FAIRS

TWINAM. If I could state briefly, as you have indicated in your ng remarks, the importance of the oil resources of the Middle and North Africa to us and to our allies is longstanding, and it ncreased recently and will continue. I can't overemphasize the rtance of our becoming less dependent upon this faraway re- e, and I think it is interesting that the major producers in the also would like to see us reduce our dependence for economic and olitical and security reasons.

RELATIONS WITH MIDDLE EAST AND NORTH AFRICA

r relationships with the Middle East and North African pro- s range from excellent to virtually nonexistent. Political events the last 25 years have made it quite clear that political factors a very profound influence on the oil policies of these governments on their perception of common interest with us and other con- rs in the energy area.

rtainly with the friendly governments of the area, to the extent we have political and security policies that support essential non interests, they are more willing to listen to our concerns in energy and other economic areas, and our dialog in trying to note a sense of common interest in those areas is a stronger and e successful one.

t I think that looking back over the last 10 years or so as these rnments have gained full control over their oil policy, we see what I would call economic factors as opposed to political factors going to play an increasingly important role and have played an easingly important role. The problem we face in this decade is the world demand for the oil from the region is going to keep ing against the desire of the countries in the region to produce oil, and this is particularly true in the case of Saudi Arabia and gulf states, because their demand for oil income is less than our and for their oil and their ability to produce.

o we have seen, and I think we will continue to see, strong con- vation pressures develop in these countries.

ECONOMIC INTERESTS OF THESE NATIONS

Iuch of our recent, and I think ongoing, discussions with these ernments, the governments with which we have good relations, really focus on the question of how broadly they perceive their nomic interest. Voices in those countries argue that it is not in ir narrow economic interest to produce more oil or even produce present levels, and our task over the next decade is going to be to to expand a sense of common interest with these governments. This is going to touch on a number of issues. Certainly in my perience in conversations with them and participating in others' conversations with them, probably the most effective argument we have been able to make in the last year or so concern what we are doing to conserve energy in this country and other industrial countries and what in their perception amounts to virtually the same thing, what we are doing to develop alternate sources of energy, both in the industrial world and the developing world. We detect particularly, I think, among some of the gulf countries, a strong sense of the need to work with us in helping developing countries to develop energy resources.

Certainly because of the financial importance of these countries like Saudi Arabia, United Arab Emirates, and Kuwait, what happens to the dollar, what happens to international financial stability generally, what happens to inflation in the world, particularly in the United States, have important impact on their perception of their common interest with us, and finally there is the question which producing governments speak so much of, of the transfer of technology issue, which I think is going to become more of a central issue with them in the decade ahead.

I would like to conclude my remarks, and turn to Mr. Rosen.

[Mr. Twinam's prepared statement follows:]

ARED STATEMENT OF JOSEPH W. TWINAM, DEPUTY ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS

S. Policy Toward Middle East and North African Oil Producers

. Chairman:

I welcome the opportunity to appear before this Sub-mmittee to discuss an issue of profound importance to U.S. trategic and economic interests: the oil policies of the iddle East and North African OPEC producers and U.S. policies or dealing with our interest in the region's oil resources.

The importance to our country and our allies of a secure low of Middle East and North African oil at sustainable rices is longstanding, has increased sharply im recent years nd will continue for the foreseeable future. I cannot over-mphasize the need to restrain our own dependence upon this faraway resource, and it is significant that the OPEC producers of the region support the Administration's effort to make the U.S. less dependent upon their oil.

It is clearly in the interest of oil consumers to have good relations with producers. Our relations with the diversity of governments in the North African and Middle Eastern oil states cover the spectrum from excellent to virtually non-existent. The Western oil industry's loss of control to producer governments, the Arab oil embargo in 1973, and the pressures brought on world oil markets by the Iranian

Revolution leave no doubt that political factors can profoundly influence the availability of the region's oil and the attitudes with which producing governments approach pricing and other energy issues. The quality of our overall relationships with producing governments, involving a range of political and security considerations, determine to a large extent the environment in which we seek their cooperation on energy questions. Relations among the oil producers, including the political dynamics in OPEC, also affect pricing and production decisions. Political considerations will remain an important determinant of the availability of the regions' oil, as will, of course, the security of the region.

Increasingly, however, as the region's producers in the last decade have gained full control of their national oil policies, economic considerations have come to play a more complex role in price and production policies. A critical concern in this decade is that the demand for the region's oil is likely to keep pressing against the limits of the producers' willingness to provide it. The issue focuses on OPEC's leading producer, Saudi Arabia, and its Gulf neighbors. The demand for their oil exceeds their demand for oil income. As a result, there are strong and intensifying pressures in these countries to conserve the principal source of national wealth.

These governments, however, have strong ties to and interests in both the industrial and the developing worlds. Hence the issue is joined on how narrowly or how broadly they define their economic interests as they make decisions on how to respond to market forces in their oil production and pricing policies.

A central task for our diplomacy in this decade will be to seek a stronger base of common economic purpose with these producers. The task involves a variety of issues:

- -- conservation of energy in the U.S. and other industrial countries;
- -- development of alternate energy resources in both the industrial and developing worlds;
- -- control of inflation and stability of the dollar;
- -- the quest for greater international financial cooperation and more effective international economic development; and
- -- the transfer of technology.

Given reasonably propitious political and security environments for U.S. interests in the Middle East and North Africa, our success in dealing with these economic issues will increasingly help determine the quality of our relations with key producers, our own security and prosperity, and that of the world generally.

The Political Factors

The political environment in each of the producer nations and their attitudes toward the United States and other industrial countries clearly have an impact on how each government approaches oil production and price decisions. Over the last quarter century revolutionary regimes in the region, particularly new ones, have exhibited considerable hostility to

Western oil interests, have tended to be confrontational rather than cooperative on economic issues, and generally have been "price hawks". By contrast, Saudi Arabia and the three Gulf Emirates in OPEC have maintained close relationships with the United States and the United Kingdom, and our political relations with these monarchies have, except in periods of intense Arab-Israeli hostilities, generally been conducive to a cooperative approach in economic matters, including oil.

A variety of political influences, including a common attachment to preserving the strength of OPEC as a mechanism for setting a price floor, work on the producers as they formulate production and pricing policies and seek OPEC price decisions.

All of the region's producers are influenced by an attachment to third world causes, although the breadth and degree of commitment varies. The Iraqis increasingly seek a leadership role in this regard and have gone further than other producers in pushing the idea of a two-tier price system for industrial and developing countries. The Kuwaitis, Saudis, and Abu Dhabi are leaders in development lending.

Security considerations obviously lie at the heart of the politics and foreign policy of the producers. They produce complex and sometimes contradictory forces. All of the producers feel vulnerable to some degree to outside powers, to Middle East rivals, and the tensions of domestic change.

This complexity prevents our drawing simple conclusions on how the Gulf producers relate political and security concerns to their oil policy. Clearly, however, a strong U.S. global military posture, including ability to project deterrent strength, is important to a long-term constructive ationship with producers. So is the perception that the , is alert and firm in checking Soviet designs in the area is dynamic in its role in a Western alliance with great erests in the Middle East and North Africa. The complexities contradictions of the security situation and the basic gility of the region require that the U.S. security role played out with steadiness of purpose, nuance, and sitivity to the political environment.

All of the Arab producers have indicated to some degree at in the longer term their attitudes on oil will be affected their perception of how the international community deals th the Palestinian cause. Revolutionary rhetoric on punitive e of the "Arab oil weapon" is unabated. Among the monarchies ere is a growing tendency to use a "carrot" approach, by ggesting more favorable consideration in oil supply in turn for greater political support for the Palestinian use. We cannot rule out that this trend will intensify er time if the Arab producers become increasingly disillusioned ith the rate of progress toward Middle East peace. The recent rend toward state-to-state oil arrangements enhances the bility of the Middle East and North African producers to mix olitics and oil, and lessens the ability of the major oil ompanies to manage dislocations resulting from destination estrictions.

olitical Dynamics of OPEC

Although economic considerations primarily determine roducer policies, the impact of political factors on an rganization such as OPEC composed of nation states is nevitable. Political relations among the diverse members of the organization play some role, as does the motivation to exert leadership within OPEC councils. Thus within the range of options which the market offers, OPEC as an organization is liable to political responses. The perception that consumer nations are banding together in confrontational posture to "break" the cartel tends to elicit a political and more confrontational response from OPEC. The perception that the industrial world is seeking to work with the OPEC countries to expand common economic interests tends to elicit a more cooperative OPEC response toward consumers.

A Country-by-Country View

Iran

In the context of this appearance I believe it is not necessary to lay out for the committee the recent state of our relations with Iran, on which there is an extensive public record. For the present the hostage situation prevents normal development of economic and other relations.

With regard to energy, Iran in the past was the one OPEC member that had both large oil reserves and production capacity and also a large appetite for revenues. The intent of the Islamic Republic to reshape Iran's economy toward less dependence on oil, combined with labor and technical difficulties in the oil fields, had resulted in much lower production even before Iran's attempt to charge exceptionally high prices brought its production to present low levels - currently about 1.5 million b/d. Given the Iranians' recent willingness to forgo exports rather than reduce their high asking price, we must assume that Iran will continue to stress maximizing prices rather than seeking increased revenues through higher export volume.

eria

Our relations with Algeria were fully restored in ember 1974 and have in general shown gradual rovement. Political differences on the Middle East peace cess and on the Western Sahara have not prevented the elopment of a cooperative approach on bilateral matters olving mutual economic interests. Currently, however, we certain European nations are involved in bilateral gotiations with Algeria over the price of Algerian liquified tural gas. Shipments under the El Paso contract have been spended pending resolution of this problem.

Our Embassy has had ready access to appropriate Algerian ficials but over the years we have had little influence on gerian attitudes on oil pricing. Algeria, of course, has en a net borrower, whose development expenditures have gularly exceeded its income. It has maintained oil production a high percentage of reserves and is currently attempting increase exploration activity (e.g., through its $3/barrel ploration fee), though on terms many companies find onerous.

ibya

Since the Libyan revolution, relations between the United tates and Libya have been at best strained. In the aftermath f the attack on our Embassy in December of 1979 and allegations f a world-wide Libyan government-sponsored intimidation ampaign, relations are at a low ebb and the United States mbassy in Tripoli remains temporarily closed. Nonetheless, the

United States continues to emphasize the mutual benefits in our economic relations. The United States receives approximately 8% of its imported oil supply from Libya and United States companies and personnel provide much of the vital expertise, manpower, and facilities for the production and distribution of Libyan oil. We have not been able to carry on a meaningful dialogue on energy issues with the Libyan government.

In spite of its small population Libya, though maintaining some financial reserves, has generally managed to spend the bulk of its considerable revenues on development, arms, and support for its foreign policy. It has consistently argued for keeping upward pressure on price through adjustment of production. Libya itself has used this method to some extent but has generally produced near its practicable capacity in recent years, desiring to maximize revenue through both volume and price. Even recent cutbacks appear influenced by technical factors, as new discoveries have lagged and reserves are declining.

Iraq

Iraq broke diplomatic relations with the U.S. during the 1967 Arab-Israeli war. Since 1972, when Interests Sections were opened in Baghdad and Washington, we have maintained sustained but limited contact with the Iraqi government. Over the past several years, the U.S. has made known on a number of occasions its willingness to normalize relations. Although Iraq has not precluded this possibility sometime in the future, it has indicated it does not believe the present is the appropriate time. Thus the U.S. is limited in its ability to carry on an economic dialogue with Baghdad at present, but the U.S. private sector is playing an increasing role in Iraq's economic development.

With the sharp price increases of 1979-80, Iraq has become a new member of the surplus-revenue club. Iraq has carefully kept development spending within limits of absorptive capacity and is expected to continue to do so. Nevertheless spending on development and arms has been high and until recently had not lagged far behind revenues. Since early 1979, however, Iraq's foreign exchange reserves have grown rapidly, and are now believed to stand at well over $20 billion. Spending will continue to grow, but not so rapidly as revenue unless the market permits Iraq to trim production without setting off further price increases. Iraq has generally produced near capacity and has plans to continue increasing capacity and exploring for new reserves. It is increasing bilateral assistance to developing countries, in part to further its desire for a leadership role in the non-aligned movement. Recently Iraq has taken a more moderate attitude toward prices.

Saudi Arabia

For over a third of a century, the U.S. has maintained a deep interest in the territorial integrity and security of Saudi Arabia and has worked to develop broad, strong ties with that country. This Administration has worked intensely to further this longstanding policy. Our relationship with

Saudi Arabia has weathered periods of great tensions in U.S.-Arab relations and has progressed steadily. The contribution that we make to Saudi and regional security is one of the important elements in this relationship. The Saudis look to us to be a dependable supplier of military equipment and training to enhance the Kingdom's own defense capability and they recognize the key importance of U.S. global power in maintaining a strategic balance which deters outside intervention in the region. As Saudi wealth and influence have grown, we have increasingly worked closely with the Saudi Government in efforts to bolster other countries in Africa and Asia where our two governments perceive a common interest in security and orderly development and a need to help reduce regional tensions. Another major element in our relationship has been the ability of the U.S., as a power with influence in both Israel and the Arab world, to make a unique contribution in the long quest for a just, comprehensive and durable peace in the Middle East. The Saudis have come to share our basic objectives in this regard. They have not supported the Camp David approach, and disagreement on how best to pursue the negotiations has caused some strain in our relations. Nevertheless, we remain in close consultation. The Saudis have continued to urge more rapid progress in the peace process, while we seek Saudi understanding of our negotiating effort and eventual Saudi support for it.

In recent years our economic ties with Saudi Arabia have expanded significantly. The U.S.-Saudi Joint Economic Commission has become an effective vehicle for the transfer of American technology to assist Saudi development, while our private sector continues to play a leading role in this regard. This year about 37 percent of our total exports to the Middle East and North Africa are going to Saudi Arabia. As Saudi Arabia has become an international financial power, its role as investor and development lender has expanded tremendously as has the need for close consultations between our two governments on international financial and development issues.

In this Administration our sustained diplomatic exchanges on the wide range of issues of common interest with Saudi Arabia have been reinforced by a process of frequent Presidential and Cabinet-level communications and contacts. Crown Prince Fahd's Washington visit in the Spring of 1977, the President's visit to Saudi Arabia in January 1978, and King Khalid's visit to the White House in November 1978 have been highlights of a sustained exchange, which on the economic side has included exchanges of visits between the Secretaries of the Treasury, Secretaries of Energy, and the Under Secretary of State for Economic Affairs and their Saudi counterparts.

Saudi Arabia has in recent years maintained oil production at levels providing income well in excess of its domestic development needs. Since last summer Saudi Arabia has produced 9.5 MMBD of oil (9.8 MMBD counting its share of production from the Partitioned Zone between Saudi Arabia and Kuwait), a million barrels daily above its preferred production level.

Saudi oil reserves would permit expansion of sustainable production capacity significantly above present levels, but many Saudis question whether there is sufficient economic incentive to make the investment required to increase production. The Saudi Government has in recent years embarked on ambitious economic and social development programs. Much of the physical infrastructure of a modern society is now in place and the absorptive limits of the economy have been revealed. Industrial prospects, except in the petrochemical area, are limited. There are strong social pressures for slower development, which in view of recent price increases suggests slower growth in expenditures and even more rapid accumulation of financial surpluses than in the past. Some Saudi officials argue that oil in the ground is a better investment than financial assets acquired with surplus revenue. It has become increasingly difficult for policymakers to justify, in terms of narrowly defined economic self-interest, continued production well in excess of domestic income requirements.

The growing conservationist trend in Saudi Arabia has been balanced by concern for the welfare of the international economy. In addition to its significant role as a lender to poorer countries, Saudi Arabia has an increasing stake in the international economy and financial system. There is no estion that the government approaches oil production and ice decisions with concern for the impact of its decisions the stability of financial markets, the state of the llar, and the impact on inflation and growth rates in the dustrial countries, from which most of their imports come, d in developing countries. The importance Saudi Arabia taches to these broader economic interests and concerns, volving the health of the international economy, is idenced by the choices it has made in its own production d pricing policy and the role it has played in OPEC, in rking for a more orderly evolution of oil prices. Saudi abia's legitimate and continuing concern with balancing ts narrower and broader economic interests will continue o play a central role in its choices on oil production nd prices.

he Gulf Emirates

The Gulf states were important to U.S. economic interests nd private American presence was significant there well efore Kuwait achieved full independence in 1961 and before he independence of Qatar and the formation of the United rab Emirates in 1971. In the era of full independence, it as been U.S. policy to develop close relations with these hree states and their Gulf neighbors and to pursue the xpansion of mutual interests across a range of issues, hile remaining in close consultations with the UK which as long shared our basic interests in this region. Our eneral policy approach toward the Gulf states, and the general course of our relationships, has been consistent with our longstanding and more developed relationship with Saudi Arabia, and we welcome and seek to encourage the commitment of Saudi Arabia and its Gulf neighbors to close cooperation in the interest of the region's security and sound development. The Iranian Revolution and the intensified Soviet pressure against the region, manifested in the invasion of Afghanistan and the close Soviet relationship with South Yemen have, of course, prompted careful and sustained review of our policy toward the Gulf states and of how we best can contribute to the region's security and progress. We seek to strengthen our relations with the Gulf states across the economic, political, cultural, and security spectrums. We have increased U.S. naval presence in the Indian Ocean and are in the process of developing an improved capability to project deterrent force toward the region. Over a number of years we have developed security assistance relationships with Kuwait and the other emirates and continue to make appropriate U.S. military equipment and training available to help these small states develop a reasonable defense capability. We remain in close diplomatic contact with them on a variety of political issues of importance to the region, particularly our quest for a comprehensive Middle East peace. Kuwait, Qatar, and the UAE share our goal of a peaceful settlement although they do not support the Camp David approach.

On the economic side we maintain important commercial ties with Kuwait, the UAE and Qatar, and have supplemented, when requested, the substantial exchange of private sector technology with USG experts in areas of interest to these countries' development programs. We keep in close diplomatic contact on energy and economic issues, including the significant role these states play as constructive international investors and generous development lenders. In this Administration this dialogue has been supported by visits of Secretary of the Treasury Blumenthal, Secretary of the Treasury Miller, and Under Secretary of State Cooper to both Kuwait and the UAE.

The oil policies of these three states differ notably. Qatar is a relatively minor producer of oil (500-550,000 B/D). Although it has vast reserves of non-associated natural gas, which it is now making plans to exploit, its oil reserves are limited and production is expected to decline slightly over the decade. Qatar's production has tended to move up to capacity as the market tightens and fall off slightly as the market eases.

The UAE's production and pricing policy involves essentially the same considerations as that of Saudi Arabia. On one hand there is concern for conserving its primary resource and avoiding too great a surplus in revenues and a broader concern, reflecting its stake in the international economy, for helping to maintain the health of that economy by contributing to orderly oil markets. The UAE has generally supported Saudi positions on price restraint, although in recent months its price has been above the Saudi level. The UAE, too, has been a substantial lender and investor. The UAE has also contributed to world energy supplies and domestic economic development through fostering exports of LPG and LNG.

Recent nuances in the oil policy of Kuwait may be a guide to future tendencies in other producing countries. Kuwait's new production level of 1.5 MMBD (1.8 counting its share of the Partitioned Zone) represents a long-heralded decision to cut back production in response to conservationist pressure and hence this level may remain firm for some time to come. This level of production provides sufficient associated natural gas and natural gas liquids to supply Kuwait's LPG plant at the desired level and to meet domestic needs. It also provides oil revenues more than sufficient to finance Kuwait's domestic development, welfare, and security needs, its foreign aid, and its extensive and sophisticated investment programs. If it maintains a fixed production policy, Kuwait will, in effect, have opted out of any ongoing efforts to influence prices through production policy. In the past Kuwait has at times asserted that oil policy is a "commercial" rather than "political" issue, and its new approach seems to reflect a more aggressive commercial thrust to marketing. Kuwait's oil policymakers reportedly are focusing attention downstream and overseas - on controlling the destinations of their crude and using access to their fixed supply as an instrument to gain access to promising investments abroad in exploration, refining, and petrochemicals.

Conclusion

The implications of the foregoing discussions are clear and unsurprising. The OPEC countries that desire greater revenues have little or no flexibility to raise production. Those that have this flexibility in production capacity, and sufficient reserves to expand capacity, currently receive a surfeit of oil revenues. Thus, as noted at the beginning of this statement, the issue focuses on OPEC's leading producer, Saudi Arabia, and its Gulf neighbors: Kuwait, the UAE, and increasingly, Iraq. These countries can easily support or raise oil prices by trimming production. They can ease upward price pressure by producing more, though their ability to restrain prices in this manner is limited, as the past year shows. In a tight market, they can increase their revenues by producing less oil, and as prices increase so do surplus revenues and pressures for lower production.

In the case of the three monarchical states, these facts, plus their concerns for and stake in the international economy, add up to conflicting economic interests.

In each of them many argue that oil production should be reduced to maximize unit revenue and to stretch the life of their oil reserves, whose value, they believe, will increase more rapidly than the financial assets they can acquire with excess revenues. These groups also argue (a) that excessive revenues promote excessive and destabilizing development spending, and (b) that restricting production and driving up the price of oil will force the developed countries to conserve energy and to accelerate the development of alternatives, thus reducing their extreme dependence on imported oil.

Opposing this narrow "conservationist" view is a broader conception: that over the long-term, the economic interests of these states are linked to those of the industrial and developing worlds, and that they should therefore follow production and pricing policies that will sustain the international economy while facilitating an orderly transition to alternative energy sources.

This broader view also recognizes the relation between healthy economies and the ability of the industrial democracies to maintain a global strategic balance conducive to world peace and the security of the Middle East.

This economic debate, of course, takes place in a political context in which the dominant themes are Middle East peace and regional security. This context, in turn, influences our ability to engage in useful dialogue with these producers. But there are no simple trade-offs between the economic and energy issue on one hand and political and security issues on the other. Only a lessening of our dependence on Persian Gulf oil, desired by both consumers and surplus-revenue producers, will in time resolve the economic and energy issues. But such factors as significant progress toward a just and comprehensive peace and U.S. ability to accommodate regional security concerns can greatly affect our ability to make ourselves heard.

Our energy diplomacy with respect to these states aims at strengthening the broader, more cooperative view of their own interests. This purpose is served by our cooperation in their efforts to develop and strengthen their own societies and by their increasing involvement in the international economy.

The pace of economic development in, and transfer of technology to, these countries will be a factor in determining their domestic income requirements. An important element, for example, will be the extent to which countries such as Saudi Arabia are able to develop viable oil-related industries which might serve as an inducement to higher crude oil production levels. The continuing willingness of surplus-revenue producers to commit substantial amounts of their oil income to foreign aid will also be an important factor, and the ability of the industrial nations to draw them more closely into the development assistance community will influence this. Perhaps more critical will be the perception of the surplus producers of the benefits or lack thereof of investment of their surplus earnings in the industrial world. This involves not only questions of freedom and security of investment but also the issues of inflation, stability of financial markets, and particularly the strength of the dollar.

In the perception of Saudi Arabia, Kuwait, and Abu Dhabi, a stable market for Middle East oil in the industrial world is preferable to ever-increasing demand. They fear that future gaps between supply and demand can lead to dangerous international tensions. The heart of this way of looking at things is that consumers' excessive dependence on Persian Gulf oil endangers both sides. In this situation the producer's responsibility is to make possible a reasonably smooth transition to less dependence; the consumer's is to achieve that transition as quickly as possible.

Mr. HAMILTON. Thank you.
Mr. Rosen.

STATEMENT OF GERALD A. ROSEN, ACTING DEPUTY ASSISTANT SECRETARY FOR INTERNATIONAL ENERGY POLICY, DEPARTMENT OF ENERGY

Mr. ROSEN. Thank you. In order to save the maximum amount of time for questioning, I think I will just choose two aspects of my written statement and summarize them briefly, and those are to give in a few words a general framework of U.S. international energy policy, and then, after that, I will say a few words about the Brandt Commission report.

U.S. INTERNATIONAL ENERGY POLICY

We have pursued basically a 3-pronged international energy policy. We have cooperated with other industrial democracies to control oil consumption, promote the development of alternative sources of oil, and prepare a common approach to oil supply interruptions.

Second, as my colleague, Mr. Twinam, has indicated, we have worked with OPEC nations bilaterally, attempting to persuade them, among other things, that their oil production and pricing policies ought to take account of the world need for an adequate supply of oil at reasonable prices. Third, we have promoted the development of energy sources in developing nations, both to increase global energy supplies and also to ease the energy constraint on these LDC's economic development.

The three strands of our international energy policy reinforce one another. Our efforts to control oil consumption and imports are not only helpful in encouraging key OPEC nations to maintain responsible price and production policies, but also ease the problems of developing countries by insuring that our own appetite for energy does not crowd them out of the world oil market. Our discussions with producers have enhanced our ability to deal with sudden supply interruptions. Several producers, recognizing our interest in a stable oil market, have made significant efforts over the past year-and-a-half to increase oil production and hold down prices.

Over the past few years we have been making some progress with other industrial nations in mutual efforts to cut oil imports. At the Venice economic summit, just concluded, the United States and other nations developed a long-term strategy concerning energy problems. Many of the details of that strategy have been analyzed and elaborated in the International Energy Agency. The major elements of this long-term strategy are straightforward: Reduce oil use through conservation and fuel switching and produce more energy at home.

What is particularly significant about the decisions taken at Venice and earlier this year in the IEA is that they specify some major policy steps that the nations intend to follow and the results they expect to achieve.

REDUCTION OF OIL CONSUMPTION

On the demand side, the industrial nations have agreed to undertake a number of steps to reduce fuel oil consumption by utilities, industries, and residential and transportation sectors. The summit ations have agreed these steps will permit oil consumption in their ations to be reduced significantly below current levels, the summit ations have also agreed to make a coordinated vigorous effort to ncrease the availability of alternative fuels by the equivalent of 15 o 20 million barrels a day of oil over the next decade, and this will equire greatly expanded production of coal, nuclear energy, natural gas, synthetics, and renewables.

On the basis of the strategy outlined at the summit and in the IEA, we believe it will be possible to limit growth in energy consumption in industrial nations to 60 percent or less of their economic growth rates. That is compared to the more traditional ratio of 1-to-1, that is 100 percent. At the same time, we believe that the share of oil in the total energy requirements of the industrial nations can be reduced from the current 52–53 percent to 40 percent by 1990.

DIALOG BETWEEN CONSUMERS AND PRODUCERS

At the Venice summit, the members agreed they would welcome a constructive dialog on energy and related issues between energy producers and energy consumers. Such a dialog was one of the key recommendations of the recent Brandt Commission report. In the past, some major oil producers have declined to enter into discussions about oil price and supply. That is a complication in achieving some of the recommendations of the Brandt Commission report. And, furthermore, we believe in any case, that a comprehensive producer/consumer agreement would be difficult to achieve and to enforce.

BRANDT COMMISSION RECOMMENDATIONS

Some of the difficulties are spelled out in my written testimony. But notwithstanding those difficulties, we are confident some progress can be achieved in bilateral talks and talks among small groups and in the U.N. global negotiations which are getting underway.

In the meantime, we are moving ahead already in some of the areas which the Brandt Commission report recommends with respect to energy policy. For example, with respect to aid for developing nations, we have made increased assistance for energy development in energy-deficient countries a high priority item in our approach to the upcoming U.N. global negotiations, and I think we will have considerable support for that.

In addition, the Venice summit requested the World Bank to examine new methods and institutions for increasing energy production in developing nations. I think it is commonly agreed that the World Bank is one of the most successful institutions in this respect.

The Brandt Commission also stresses the responsibility industrialized consumer countries have in energy conservation and calls for more ambitious conservation targets.

As I have indicated, in the IEA and at the economic summit we are moving in this direction and, I may say, with some strong leadership from the United States.

INTERNATIONAL EFFORTS AND DOMESTIC ENERGY PROGRAM

To sum up, there is obviously a great deal to be done, but, on the whole, I believe we are pursuing the actions we should be internationally to deal with our energy problems. But our international efforts will only be successful if backed by a strong domestic energy program. I think that is probably the basic lesson I have learned in about 8 years of dealing with these problems.

The energy performance of the United States is improving. I think that is indicated by a steady decline in oil imports since 1977, due not only to the recession, but to the effect of conservation policies. Nevertheless, the oil market situation, in our view, is so critical out in the midterm and longer term that we have to redouble our efforts at home and abroad to adopt and vigorously implement energy policies that will insure our economic well-being and security.

Thank you.

[Mr. Rosen's prepared statement follows:]

PREPARED STATEMENT OF GERALD A. ROSEN, ACTING DEPUTY ASSISTANT SECRETARY FOR INTERNATIONAL ENERGY POLICY, DEPARTMENT OF ENERGY

OIL SUPPLY PROSPECTS AND U.S. INTERNATIONAL ENERGY POLICY

INTRODUCTION

MR. CHAIRMAN, IT IS A PRIVILEGE TO TESTIFY BEFORE THIS SUBCOMMITTEE ON OIL SUPPLY PROSPECTS AND U.S. INTERNATIONAL ENERGY POLICY. THESE ARE CRITICAL SUBJECTS. EVEN THOUGH THE OIL MARKET HAS EASED OVER THE PAST FEW MONTHS, THE LONG TERM OUTLOOK GIVES CAUSE FOR SERIOUS CONCERN. OPEC NATIONS' OIL EXPORTS ARE UNLIKELY TO INCREASE BEYOND TODAYS LEVEL, AND COMPETITION FOR THAT OIL IS LIKELY TO INCREASE. THE TOTAL AMOUNT OF IMPORTED OIL AVAILABLE TO THE INDUSTRIAL DEMOCRACIES IS LIKELY TO DECLINE SIGNIFICANTLY OVER THE NEXT DECADE. FURTHERMORE, THESE DIMINISHING SUPPLIES COULD BE SUBJECT TO SUDDEN INTERRUPTIONS OR PRICE INCREASES.

SUPERIMPOSED ON ALL OF THESE POTENTIAL DIFFICULTIES IS A SUBSTANTIALLY ALTERED STRUCTURE IN THE WORLD OIL MARKET. SINCE 1973 THE INFLUENCE OF THE MAJOR OIL COMPANIES HAS DECLINED AS THEIR SHARE OF OPEC EXPORTS HAS GONE FROM OVER 90% TO ABOUT 45%. OIL PRODUCING COUNTRIES NOW MARKET DIRECTLY, IN CHANNELS OUTSIDE THE MAJORS, ALMOST 13 MILLION BARRELS PER DAY COMPARED TO ONLY 2.4 MILLION BARRELS IN 1973. SOME IMPORTANT IMPLICATIONS OF THESE DEVELOPMENTS ARE:

-- DURING A PERIOD OF MARKET TIGHTNESS, PRICES ARE BID UP AS POTENTIAL BUYERS, FORMERLY SUPPLIED BY THE MAJORS AS THIRD-PARTY CUSTOMERS, COMPETE AGAINST EACH OTHER FOR OIL NOW SOLD DIRECTLY BY PRODUCERS;

-- SOME CRUDE-SHORT MAJORS ALSO ARE FORCED INTO THE SPOT MARKET;

-- OIL SALES MAY BECOME INCREASINGLY POLITICIZED AS GOVERNMENT-TO-GOVERNMENT DEALS BECOME MORE COMMON;

-- THE INDUSTRIALIZED OIL CONSUMERS ARE BECOMING LOWER-PRIORITY CUSTOMERS OF OPEC AS OPEC'S OWN CONSUMPTION NEEDS AND LDC OIL REQUIREMENTS, FREQUENTLY MET THROUGH DIRECT GOVERNMENT DEALS, TAKE PRECEDENCE OVER OPEC SALES TO MAJOR OIL COMPANIES.

TO ATTEMPT TO DEAL EFFECTIVELY AND SYSTEMATICALLY WITH THESE AND OTHER TROUBLESOME ASPECTS OF THE ENERGY SITUATION, WHICH CONFRONT ALL NATIONS OF THE WORLD, THE ADMINISTRATION HAS DEVELOPED THREE CLOSELY INTERCONNECTED ELEMENTS OF ITS INTERNATIONAL ENERGY POLICY:

-- TO COOPERATE WITH OTHER INDUSTRIALIZED DEMOCRACIES TO CONTROL OIL CONSUMPTION, PROMOTE DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES, AND PREPARE A COMMON APPROACH TO POSSIBLE OIL SUPPLY SHORTFALLS OR DISRUPTIONS;

-- TO WORK WITH THE OPEC COUNTRIES TO ENSURE THAT THEIR OIL PRODUCTION AND PRICING POLICIES TAKE ACCOUNT OF THE WORLD'S NEED FOR AN ADEQUATE SUPPLY OF OIL AT REASONABLE PRICES.

-- AND, FINALLY, TO PROMOTE THE DEVELOPMENT OF ENERGY SOURCES IN DEVELOPING COUNTRIES TO INCREASE GLOBAL ENERGY SUPPLIES AND TO EASE THE ENERGY CONSTRAINT UPON THESE NATIONS' ECONOMIC GROWTH.

To be successful, our international energy activities must be based on a strong domestic energy policy. Other industrial nations look to the United States for leadership in developing effective domestic policies since they recognize that acting alone they can have no decisive effect on global energy balances. The major oil producing nations have emphasized that our conservation efforts make it easier for them to contribute to stabilizing energy markets through their price and production policies. Developing nations will be more responsive to our international policies if they see that we are making a maximum effort to develop our own energy resources and to use energy wisely.

I am appearing today with Mr. Twinam of the Near East Bureau of the State Department and a representative of the Department of Energy. To avoid duplication, the three of us will deal with various elements of this policy. I would like to concentrate on:

-- The production and pricing policies of some of the major oil producers outside the Middle East;

-- U.S. international energy policy, with particular emphasis on recent accomplishments at the annual economic summit meetings and in the International Energy Agency.

-- The energy recommendations of the Brandt Commission.

OIL SUPPLY OUTLOOK

LAST MONTH IN ALGIERS, THE OPEC MINISTERS DECIDED TO SET A PRICE CEILING FOR "MARKER" OR BENCHMARK CRUDE AT $32 PER BARREL. THEY ALSO AGREED THAT SURCHARGES OR VALUE DIFFERENTIALS OF UP TO $5 PER BARREL COULD BE ADDED TO REFLECT DIFFERENCES IN QUALITY OR LOCATION. WE DO NOT KNOW HOW THIS DECISION WILL AFFECT OTHER PREMIUMS, SUCH AS PREMIUMS FOR NEW BUYERS, FOR INCREMENTAL VOLUMES OR FOR EXPLORATION RIGHTS. THE SAUDIS HAVE INDICATED THEY MAY INCREASE OIL PRICES IN THE NEXT FEW MONTHS, BUT PROBABLY NOT TO THE $32 CEILING, AT LEAST INITIALLY.

ACCORDING TO PRESS REPORTS, THE OPEC LONG-TERM STRATEGY COMMITTEE AT ITS MEETING IN MAY RECOMMENDED THAT OVER THE LONG TERM, PRICES SHOULD APPROXIMATE THE COST OF ALTERNATIVE FUELS. TO ENSURE ADVANCEMENT TOWARDS THAT TARGET, THE COMMITTEE PROPOSED A PRICE FLOOR ADJUSTMENT MECHANISM. THIS MECHANISM WOULD ADJUST OIL PRICES TO ACCOUNT FOR INFLATION, EXCHANGE RATE CHANGES AND OECD REAL GROWTH RATES. TO SUSTAIN THESE PRICE CHANGES OPEC COUNTRIES WOULD ADJUST PRODUCTION AS NECESSARY.

MOREOVER, AS OPEC'S OWN OIL CONSUMPTION GROWS, WITH PRODUCTION LIKELY TO BE ESSENTIALLY STEADY OR DECLINING, OPEC OIL AVAILABLE FOR EXPORT WILL NECESSARILY DECLINE. AT THE SAME TIME, THE NON-OPEC DEVELOPING NATIONS AND THE COMMUNIST NATIONS ARE LIKELY TO INCREASE THEIR DEMAND FOR OPEC OIL. THIS MEANS THAT DEVELOPED COUNTRY ACCESS TO OPEC OIL WILL BE REDUCED; IT IS IN OUR VIEW CRUCIAL THAT THIS EXPECTED DECLINE IN OIL AVAILABILITY BE MATCHED BY A REDUCTION IN DEVELOPED COUNTRIES' DEMAND BROUGHT ABOUT BY OUR OWN EFFORTS TO CONSERVE ENERGY AND SWITCH TO ALTERNATIVES. IF WE ARE UNPREPARED TO COPE WITH REDUCED OIL SUPPLIES, THE RESULT WOULD BE A RAPID BIDDING UP OF WORLD OIL PRICES WHICH WOULD IMPOSE TREMENDOUS ECONOMIC COSTS ON US. ANY INTERRUPTION OF THESE REDUCED SUPPLIES--WHETHER BY ACCIDENT OR POLITICAL DESIGN--WOULD IMPOSE STILL MORE SERIOUS COSTS.

I BELIEVE IT WOULD BE USEFUL TO INDICATE WHY WE BELIEVE OPEC'S EXPORTS ARE UNLIKELY TO INCREASE BEYOND TODAY'S LEVEL. THE PERSIAN GULF OIL PRODUCERS ARE THE MOST IMPORTANT IN THIS REGARD, BECAUSE THESE ARE THE COUNTRIES WHICH HAVE THE PHYSICAL CAPACITY TO INCREASE OIL PRODUCTION SUBSTANTIALLY. I WILL, HOWEVER, DEFER TO MR. TWINAM FOR AN ANALYSIS OF THE OIL POLICIES OF THE PERSIAN GULF AND NORTH AFRICAN PRODUCERS AND WILL INSTEAD DISCUSS BRIEFLY OTHER IMPORTANT OIL PRODUCERS, THEIR LIKELY OUTPUT LEVELS, THEIR POLICIES, AND OUR INFLUENCE.

OTHER PRODUCERS

OIL CONSUMERS HAVE BEGUN TO LOOK WITH INCREASED INTEREST TOWARD OIL PRODUCERS IN OTHER AREAS OF THE WORLD BECAUSE OF RECENT EVENTS IN THE MIDDLE EAST. I DO NOT PROPOSE TO COVER IN DETAIL ALL OF THESE PRODUCERS, BUT WOULD LIKE TO PROVIDE SOME INFORMATION ON FOUR GROUPS OF COUNTRIES: MAJOR NON-MIDDLE EAST OPEC COUNTRIES; OIL EXPORTING LDCS; THE NORTH SEA PRODUCERS; AND CHINA AND THE SOVIET BLOC COUNTRIES.

NON-MIDDLE EAST OPEC:

THE LARGEST PRODUCERS IN THIS GROUP ARE INDONESIA, NIGERIA, AND VENEZUELA. EACH HAS LIMITED RESOURCES OF CONVENTIONAL OIL AND FACES POTENTIAL PRODUCTION DECLINES. SINCE THESE COUNTRIES HAVE RELATIVELY LARGE DEVELOPING ECONOMIES WHICH CAN MAKE GOOD USE OF OIL REVENUES AS A TOOL FOR ECONOMIC GROWTH, THEY WILL PROBABLY CONTINUE OIL PRODUCTION AT MAXIMUM CAPACITY.

INDONESIA HAS RECENTLY INCREASED EXPLORATION EXPENDITURES, REVERSING THE TREND OF THE PAST FEW YEARS. ADDITIONAL OIL WILL NO DOUBT BE FOUND (RESERVES ARE NOW 9.5 BILLION BARRELS), BUT THE DISCOVERY OF LARGE FIELDS IS UNLIKELY BASED ON THE GEOLOGY OF THE COUNTRY. IF THERE ARE NO MAJOR NEW FINDS, RAPIDLY INCREASING DOMESTIC DEMAND FOR OIL (12-15% ANNUALLY) MAY RESULT IN INDONESIA BECOMING A NET OIL IMPORTER BY 1990.

In many ways, Nigeria is similar to Indonesia. Output is constant at about 2 million barrels/day, while proved and probable reserves are approximately 20-26 billion barrels. While it is likely that more oil can be found to maintain production near current levels, incremental hydrocarbon production is likely to be from natural gas, significant amounts of which are being flared. One project being considered is to export some 1,500 million cubic feet/day of liquified natural gas.

Venezuela is another example of a large oil producer facing declining production. Output has declined from 3.7 million barrels/day in 1970 to 2.1 mmb/d projected for 1980. Official reserves are less than Nigeria's, requiring Venezuela to intensify its exploration activities or exploit its non-conventional petroleum if it is to sustain output at current levels.

Venezuela has a major source of non-conventional oil in the Orinoco heavy oil belt. Estimates vary widely, but oil-in-place is probably in the range of 750 billion to three trillion barrels. Since the recoverability factor could be anywhere from 10% to 25% of oil-in-place, ultimate potential production from these reserves is highly uncertain, ranging from as little as 75 billion barrels to as much as 750 billion barrels (compared to Saudi Arabian reserves of 166 billion). Venezuela has decided on a phased plan for exploration of its heavy oil in order to test out alterna-

TIVE TECHNICAL PROCESSES IN COMMERCIAL-SCALE PILOT PROJECTS BEFORE DECIDING WHAT PROCESSES TO USE FOR SUBSEQUENT EXPANSION OF HEAVY OIL PRODUCTION. PRESENT PLAN CALLS FOR ONE MILLION B/D OUTPUT OF HEAVY OIL BY THE YEAR 2000. LIMITING FACTORS ARE VENEZUELA'S SENSITIVITY TO INCLUDING FOREIGN MULTINATIONALS, WHICH COULD HELP WITH THE TECHNOLOGY REQUIRED, AND THE NEED FOR REFINERY MODIFICATIONS TO PROCESS THE HEAVY OIL.

WHILE THE U.S. HAS GOOD RELATIONS WITH THESE COUNTRIES, OUR ABILITY TO INFLUENCE THEIR OIL PRODUCTION DECISIONS IS LIMITED. THE PRIMARY ACTION WE CAN AND HAVE TAKEN IS TO URGE PROVISION OF ADEQUATE INCENTIVES FOR NEW EXPLORATION.

OIL EXPORTING LDCS: THE MORE IMPORTANT OF THESE COUNTRIES ARE MEXICO, MALAYSIA, EGYPT, AND ANGOLA. WITH THE POSSIBLE EXCEPTION OF MEXICO, THESE COUNTRIES ARE LIKELY TO CONTINUE TO PRODUCE AT FULL CAPACITY BECAUSE PETROLEUM REVENUES ARE CRITICALLY IMPORTANT TO FINANCE THEIR ECONOMIC DEVELOPMENT.

THE CASE OF MEXICO IS SOMEWHAT MORE COMPLICATED. MEXICAN OIL PRODUCTION IS CONTINUING TO GROW, AND RESERVES COULD SUPPORT A VERY HIGH LEVEL OF PRODUCTION. PRESIDENT LOPEZ PORTILLO HAS STATED, HOWEVER, THAT MEXICO WILL LIMIT ITS PRODUCTION TO DOMESTIC NEEDS PLUS AN EXPORT LEVEL WHICH WILL PROVIDE REVENUES NEEDED FOR BALANCED GROWTH. MEXICO IS FINDING THAT IT CAN ABSORB A GREATER QUANTITY OF IMPORTS

THAN INITIALLY ANTICIPATED, AND IF THE MEXICAN GOVERNMENT EXPANDS SOCIAL PROGRAMS, IT WOULD IMPLY AN INCREASE IN PETROLEUM EXPORTS BEYOND PROJECTED LEVELS. THERE ARE SOME IN THE COUNTRY, HOWEVER, WHO ARGUE THAT PRODUCTION SHOULD BE RESTRAINED, EITHER TO MANAGE RESOURCES MORE CONSERVATIVELY OR BECAUSE THEY FEAR AMBITIOUS DEVELOPMENT PROGRAMS WOULD LEAD TO DISASTROUS INFLATION. IN ANY EVENT, IT IS UNLIKELY THAT LONG-TERM PRODUCTION DECISIONS WILL BE MADE IN THE NEXT TWO YEARS BEFORE THE 1982 PRESIDENTIAL ELECTION.

THE U.S., MEXICO'S LARGEST CUSTOMER, IS RECEIVING ABOUT 590,000 B/D OF CURRENT MEXICAN EXPORTS OF 820,000. BECAUSE OF THE ECONOMICS OF TRANSPORTATION, THE U.S. WILL CONTINUE AS MEXICO'S LARGEST CUSTOMER, BUT MANY COUNTRIES ARE VYING FOR MEXICAN OIL AND THE MEXICAN GOVERNMENT HAS INDICATED A DESIRE TO DIVERSIFY ITS SALES. NONETHELESS, EVEN THOUGH THE U.S. SHARE IS DECLINING, MEXICO'S ACCELERATING PRODUCTION MAY LEAD TO AN INCREASE IN THE ABSOLUTE LEVEL OF EXPORTS TO THE U.S.

THE NORTH SEA PRODUCERS: BASED ON CURRENT ESTIMATES OF PROVEN RESERVES, U.K. OIL PRODUCTION SHOULD PEAK AT ABOUT 2.5 MILLION BARRELS/DAY IN 1985. PRODUCTION IS THEN EXPECTED TO DECLINE STEADILY AND COULD REACH ABOUT 1.0 MILLION BARRELS/DAY BY THE EARLY 1990'S. THIS SUGGESTS THAT THE U.K. COULD BECOME SELF-SUFFICIENT IN OIL WITHIN THE NEXT YEAR, AND BE A NET EXPORTER INTO THE LATE 1980S.

These estimates, however, do not take into account future discoveries or development of fields not judged commercial at mid-1979 prices.

Because North Sea crudes are light and sweet, they command top prices along with North African and some Nigerian crudes. Thus far, the U.K. has followed prices of comparable OPEC crudes.

There are indications that the UK Government is considering restricting depletion rates to stretch out the period of net self-sufficiency. No official announcement has been made, but U.K. Energy Secretary David Howell has publicly indicated that a new policy is being considered and Labor Party shadow Secretary for Energy David Owen has called for a long-range production policy aimed at self-sufficiency.

Should such a policy evolve, it could mean that the U.K. will be producing in the mid-80s at about 300-500,000 barrels/day less than has been officially projected based on technical consideration. We have urged the U.K. to consider allowing production to continue at the maximum efficient rate.

Norway's proven oil and gas reserves as of mid-1979 were estimated at about 11.5 billion barrels of oil equivalent, divided about equally between oil and gas. The Norwegian government recently reaffirmed its long-run oil and gas production goal of 1.8 million barrels/day which

pages tightly bound

COULD BE REACHED BY THE MID-80s. CURRENTLY, NORWAY PRODUCES ABOUT 600,000 BARRELS/DAY OF OIL AND A SLIGHTLY SMALLER AMOUNT OF GAS. FOLLOWING AN EXPORT-ORIENTED PRODUCTION POLICY, NORWAY EXPORTS ALMOST ALL OF ITS GAS AS WELL AS 400,000 BARRELS/DAY OF OIL.

THE NORWEGIAN GOVERNMENT IS UNDERGOING A COMPREHENSIVE REVIEW OF ITS NORTH SEA PRODUCTION POLICY IN THE WAKE OF THE RECENT DISASTER IN WHICH THE OFFSHORE STRUCTURE, ALEXANDER KEILLAND, CAPSIZED WITH THE LOSS OF 123 LIVES. INDICATIONS ARE THAT NORWAY'S LONG-RUN OIL POLICIES WILL REMAIN UNCHANGED, BUT ITS OFFSHORE OPERATIONS WILL BE MORE CAREFULLY SCRUTINIZED. THE RESULT IS LIKELY TO LEAD TO SLOWER EXPLORATION, ESPECIALLY NORTH OF THE 62ND PARALLEL, AS MORE STRINGENT SAFETY REQUIREMENTS ARE IMPOSED ON OFFSHORE STRUCTURES AND PERSONNEL. THIS NORTHERN REGION, YET UNEXPLORED, ENCOMPASSES 85% OF THE NORWEGIAN CONTINENTAL SHELF AND SUBSTANTIAL DISCOVERIES COULD ENHANCE NORWAY'S PRODUCTION POSSIBILITIES SIGNIFICANTLY. ALTHOUGH THIS AREA APPEARS PROMISING, DEVELOPMENT WILL BE VERY COSTLY. EVEN IF COMMERICAL DISCOVERIES WERE MADE, FIVE TO EIGHT YEARS WOULD BE REQUIRED BEFORE PRODUCTION COULD BEGIN.

NORWAY HAS NOT BEEN AN OIL PRICE LEADER, BUT HAS BEEN QUICK TO FOLLOW OTHER PRODUCERS OF SWEET, LIGHT CRUDES TO POST TOP PRICES. THIS HAS EVOKED CRITICISM FROM SOME OF NORWAY'S NEIGHBORS.

CHINA AND THE SOVIET BLOC: SUBSTANTIAL UNCERTAINTY SURROUNDS THE PETROLEUM SITUATION IN CHINA. LARGE SCALE EXPLORATION IS JUST GETTING UNDERWAY, AND IT WILL BE A FEW YEARS BEFORE WE HAVE A REASONABLY ACCURATE PICTURE OF CHINA'S POTENTIAL. PRESENT PRODUCTION IS ABOUT 2 MILLION BARRELS/DAY. WHILE CHINA MAY HAVE AS MUCH AS 80 BILLION BARRELS OF RECOVERABLE OIL, THE RATE OF ANNUAL INCREASES IN OUTPUT IS DECLINING. GROWTH IN OUTPUT IN 1979 WAS 1.9% AND CHINA IS NOW TURNING TO WESTERN FIRMS FOR THE SOPHISTICATED TECHNOLOGY NEEDED FOR OFFSHORE EXPLORATION AND DEVELOPMENT.

CHINA LOOKS TOWARD PETROLEUM TO FINANCE THE IMPORT OF TECHNOLOGY AND CAPTIAL GOODS NEEDED FOR MODERNIZATION. IT IS DIFFICULT, HOWEVER, TO JUDGE HOW MUCH REVENUE WILL BE NEEDED TO SUPPORT PLANNED GROWTH RATES. IN ANY CASE, SIZEABLE INCREASES IN EXPORTS ARE NOT LIKELY BEFORE 1985, WHEN RESULTS CAN BE EXPECTED FROM ACTIVITIES RECENTLY INITIATED BY FOREIGN FIRMS.

THE SOVIET UNION'S ENERGY SITUATION IS CHARACTERIZED BY DECLINING OR STAGNANT OIL PRODUCTION, ALONG WITH AN ABUNDANCE OF OIL, GAS, AND COAL RESOURCES, AND NUCLEAR ENERGY CAPABILITY. THEIR PRODUCTION PROBLEMS RESULT MAINLY FROM MANAGERIAL AND TECHNOLOGICAL DIFFICULTIES COMPOUNDED BY RESERVES BEING LOCATED IN EXTREMELY HOSTILE ENVIRONMENTS AT LONG DISTANCES FROM ENERGY CONSUMERS.

One problem which complicates our assessment of likely Soviet oil production and policies is lack of hard data on Soviet oil reserve estimates and on projected Soviet oil production. The uncertainties are substantial, but it appears that the Soviet bloc might soon shift to a net importer position from its traditional role as an exporter of oil.

Cooperation with Industrial Consumers

Excessive dependence on imported oil clearly threatens the economic health of the industrial nations. In 1979, a relatively small and temporary interruption of supplies caused a more than doubling of oil prices. Today the United States is receiving about a million barrels a day less oil than a year ago -- but U.S. payments for imported oil in 1980 are expected to reach $90 billion. This import bill will make it harder to master inflation and overcome the current recession.

These problems are likely to grow more serious over the coming decade as oil supplies tighten further. We recognize that the economic strains of the energy crisis have the potential to weaken the mutually reinforcing economic, political, security and cultural ties which we have built up since World War II with the democracies of Western Europe, Japan, Canada, Australia and New Zealand. Many of these nations are more dependent on imported oil than we are.

THEIR VULNERABILITY INCREASES OUR OWN VULNERABILITY. WE CAN NOT LET OUR ENERGY PROBLEMS TEAR DOWN RELATIONSHIPS WHICH HAVE TAKEN US YEARS TO BUILD. RATHER, WE ARE DETERMINED TO FIND COOPERATIVE SOLUTIONS TO OUR MUTUAL ENERGY PROBLEMS AND BY SO DOING TO TURN ENERGY INTO A FORCE WHICH WILL UNIFY, NOT DIVIDE US.

OUR URGENT TASKS ARE TO REDUCE OUR VULNERABILITY TO SUDDEN SUPPLY INTERRUPTION AND PRICE INCREASES AND TO MAKE AN ORDERLY TRANSITION TO A WORLD ECONOMY LESS DEPENDENT ON OIL. WE HAVE BEEN MAKING SOME PROGRESS ON THESE ISSUES IN THE INTERNATIONAL ENERGY AGENCY (IEA) AND AT THE ANNUAL ECONOMIC SUMMIT MEETINGS.

SINCE 1974, THE IEA NATIONS HAVE HAD AN EMERGENCY OIL SHARING SYSTEM FOR USE IN THE EVENT OF MAJOR DISRUPTIONS. IN 1979, HOWEVER, WE LEARNED THAT EVEN A RELATIVELY SMALL SHORTFALL COULD, UNDER CONDITIONS OF UNCERTAINTY, LEAD TO SHARP INCREASES IN THE WORLD PRICE OF OIL, WITH PAINFUL EFFECTS ON OUR ECONOMIES. SINCE THE ONSET OF THE IRANIAN CRISIS, WE HAVE DEVELOPED A FLEXIBLE SYSTEM FOR RESPONDING TO OIL MARKET DISTURBANCES WHICH ARE NOT LARGE ENOUGH TO TRIGGER THE IEA EMERGENCY SHARING SYSTEM. IN MARCH 1979, THE IEA NATIONS AGREED TO REDUCE THEIR COLLECTIVE DEMAND FOR OIL ON THE WORLD MARKET BY 2 MMB/D. ALTHOUGH REDUCTION DID NOT TAKE PLACE FAST ENOUGH TO COOL OFF A STEAMING OIL MARKET RIGHT AWAY, OUR RESTRAINT WAS HELPFUL IN SLOWING DOWN THE

ACE OF OIL PRICE INCREASES THROUGHOUT THE FIRST HALF OF HIS YEAR AND IN ENCOURAGING MODERATE OIL PRODUCERS TO AINTAIN RESPONSIBLE PRODUCTION LEVELS. WITHOUT THE IEA CTION, PRICES WOULD PROBABLY HAVE INCREASED EVEN MORE.

TO REPLACE THE CREATIVE BUT IMPROVISED RESPONSE TO THE OIL CRISIS OF 1979, THE MAY 1980 IEA MEETING AT MINISTERIAL LEVEL ESTABLISHED AN ONGOING SYSTEM OF OIL IMPORT YARDSTICKS AND CEILINGS DESIGNED TO IMPROVE OUR ABILITY TO DEAL WITH TIGHT OIL MARKETS. UNDER THIS SYSTEM, THE IEA NATIONS WILL ESTABLISH NATIONAL OIL IMPORT "YARDSTICKS" EACH YEAR. THESE YARDSTICKS WILL BE BASED LARGELY ON PROJECTIONS OF OIL REQUIREMENTS. IN NORMAL CIRCUMSTANCES THESE YARDSTICKS WILL BE USED TO MONITOR EACH NATION'S PERFORMANCE IN REDUCING OIL IMPORTS. IF THE OIL MARKET TIGHTENS, THE IEA NATIONS WILL CONSIDER CONVERTING THE YARDSTICKS INTO POLITICALLY BINDING OIL IMPORT CEILINGS. NATIONS WOULD BE EXPECTED TO USE EFFECTIVE ENERGY POLICY MEASURES TO RESTRAIN DEMAND FOR OIL TO LEVELS COMPATIBLE WITH THEIR NATIONAL CEILINGS.

THE UNITED STATES AND ITS ALLIES HAVE ALSO MADE PROGRESS TOWARDS THE LONG RUN GOAL OF REDUCING IMPORTS AND THUS FACILITATING THE TRANSITION OF THE WORLD ECONOMY AWAY FROM ITS HEAVY DEPENDENCE ON OIL. AT THE TOKYO SUMMIT LAST JUNE WE PUSHED FOR STRONG COMMITMENTS ON LIMITING MEDIUM TERM OIL IMPORTS AND ACHIEVED THE FOLLOWING RESULTS.

-- THE U.S. ADOPTED AS A GOAL 1985 IMPORTS NOT TO EXCEED THE 1977 LEVEL OF 8.5 MMB/D;

-- JAPAN AGREED TO LIMIT 1985 IMPORTS TO BETWEEN 6.3 AND 6.9 MMB/D;

-- CANADA AGREED TO LIMIT 1985 IMPORTS TO 0.6 MMB/D OR LESS;

-- FRANCE, GERMANY, ITALY AND THE U.K. AGREED TO LIMIT 1985 IMPORTS TO THE 1978 FIGURE;

AT THE DECEMBER 1979 IEA MINISTERIAL MEETING, ALL IEA NATIONS ADOPTED NATIONAL OIL IMPORT GOALS FOR 1985. AT THE MAY 1980 IEA MINISTERIAL MEETING, IEA NATIONS AGREED THAT IT WOULD BE NECESSARY TO UNDERSHOOT SUBSTANTIALLY THESE 1985 GOALS. THE U.S. AND THE IEA SECRETARIAT BELIEVE THAT A REDUCTION OF 4 MMB/D FOR THE IEA AS A GROUP IS BOTH NECESSARY AND ACHIEVABLE.

AT THE MAY 1980 IEA MINISTERIAL, IEA NATIONS FOR THE FIRST TIME ESTABLISHED ENERGY OBJECTIVES FOR 1990. THEY AGREED TO TAKE ACTION TO LIMIT THE RATIO BETWEEN ENERGY GROWTH AND ECONOMIC GROWTH TO 0.6. (BEFORE THE OIL CRISIS THE RATIO HAD BEEN ABOUT ONE). THEY ALSO AGREED TO REDUCE THE SHARE OF TOTAL ENERGY REQUIREMENTS SUPPLIES BY OIL FROM 52% NOW TO 40% BY 1990.

THESE COMMITMENTS WILL BE STRONGLY REINFORCED BY ACTIONS TAKEN AT THE VENICE ECONOMIC SUMMIT MEETING. AT VENICE, THE HEADS OF STATE AGREED ON SPECIFIC POLICY MEASURES

AT EACH NATION SHOULD UNDERTAKE TO ENSURE A SUBSTANTIAL EDUCTION IN OIL USE OVER THE DECADE. THEY ALSO PLEDGED TO KE A COORDINATED AND VIGOROUS EFFORT TO INCREASE THE VAILABILITY OF ALTERNATIVE FUELS BY THE EQUIVALENT OF 15-20 MB/D OF OIL OVER THE NEXT DECADE. THIS WILL REQUIRE REATLY EXPANDED PRODUCTION OF COAL, NUCLEAR, GAS, SYNTHETIC UELS AND RENEWABLES. THE UNITED STATES INTENDS TO DO ITS HARE. WE HAVE MADE GREAT PROGRESS IN THESE AREAS IN RECENT EARS; OUR ALLIES ACKNOWLEDGE AND APPRECIATE THIS. WE HAVE EDUCED OUR IMPORT LEVELS FROM 8.5 MMB/D IN 1977 TO LESS HAN 7 MMB/D DURING THE FIRST HALF OF THIS YEAR. OUR RECENT NERGY POLICY INITIATIVES WILL ENCOURAGE A CONTINUATION OF HIS PROGRESS IN THE FUTURE.

SEVERAL PROBLEM AREAS REMAIN; EACH NATION HAS ROOM O MAKE SOME IMPROVEMENT IN ENERGY POLICY. AT RECENT SUMMIT ND IEA MEETINGS, WE HAVE CRITICIZED SOME ASPECTS OF THE NERGY POLICIES OF OUR ALLIES; THEY, IN TURN HAVE POINTED UT AREAS WHERE THEY FEEL WE COULD MAKE IMPROVEMENTS. AMONG HE MOST IMPORTANT AREAS IN WHICH OUR ALLIES SEE ROOM FOR MPOVEMENT IN U.S. POLICY ARE GASOLINE TAXES, OIL USE IN LECTRICITY GENERATION AND COAL EXPORTS. OUR ALLIES, MOST F WHOM IMPOSE TAXES OF $1-2 PER GALLON ON GASOLINE, WERE DISAPPOINTED BY THE DEFEAT OF THE PRESIDENT'S GASOLINE CONSERVATION FEE. THEY ALSO ATTACH IMPORTANCE TO THE

Administration proposals to encourage conversion of power plants from oil to coal and to remove obstacles to increased exports of coal.

Our efforts to establish tough objectives and to take steps to achieve them are also valued by oil producers. Many of the Persian Gulf producers are concerned about stretching the productive life of their one significant economic resource and have linked responsible price and production policies to strong efforts in conservation by the industrial nations. The developing nations also support our efforts. They fear that without restraint, our appetite for energy could crowd them out of the world oil market.

Brandt Commission Report

Finally, I would like to take up the ideas on energy proposed in February of this year by the Brandt Commission report, *North-South: A Program for Survival*. In the report, energy is part of the Emergency Program for the next five years together with the problems of resource transfers, food and reforms of the international economic system. In fact, the Emergency Program calls for a major global agreement on these issues, including "an international energy strategy" that would ensure "regular supplies of oil, more rigorous conservation, more predictable changes of prices and more positive measures to develop alternative sources of energy".

THE REPORT ARGUES THAT THERE IS A STRONG CASE FOR AN UNDERSTANDING BETWEEN ALL PRODUCERS AND CONSUMERS, CITING THE PARTICULAR IMPACT OF SUDDEN RISES IN PETROLEUM PRICES ON DEVELOPING COUNTRIES AND THE FACT THAT "NO COUNTRY CAN ESCAPE SERIOUS DISRUPTION IF ITS SUPPLIES OF OIL ARE DRASTICALLY REDUCED". THE REPORT CALLS FOR AN AGREEMENT ON ENERGY TO INCLUDE: PRODUCTION ASSURANCES, SPECIAL ARRANGMENTS TO ENSURE THAT POORER DEVELOPING COUNTRIES RECEIVE ADEQUATE SUPPLIES OF OIL, DEMAND RESTRAINT COMMITMENTS, INDEXED PRICE INCREASES AT LEVELS WHICH GIVE INCENTIVES FOR PRODUCTION, GUARANTEES OF ACCESSIBILITY AND VALUE OF FINANCIAL ASSETS, MAJOR INVESTMENT IN ENERGY RESOURCE DEVELOPMENT IN DEVELOPING NATIONS, INCREASED FUNDING FOR ENERGY RESEARCH AND BROAD INTERNATIONAL ACCESS TO THE FRUITS OF THAT RESEARCH.

THE U.S. IS INTERESTED IN PRINCIPLE IN UNDERTAKING CONSTRUCTIVE DISCUSSIONS BETWEEN PRODUCERS AND CONSUMERS ON THE FUTURE OF THE OIL MARKET. WE HAVE MADE CLEAR OUR INTEREST IN PURSUING SUCH TALKS AS RECENTLY AS THE VENICE SUMMIT, WHEN THE SUMMIT NATIONS AGREED TO "WELCOME A CONSTRUCTIVE DIALOGUE ON ENERGY AND RELATED ISSUES BETWEEN ENERGY PRODUCERS AND CONSUMERS IN ORDER TO IMPROVE THE COHERENCE OF THEIR POLICIES."

TOPICS MENTIONED FOR DISCUSSION BY INDUSTRIALIZED NATIONS OR BY PRODUCING NATIONS INCLUDE THOSE LISTED ABOVE AS WELL AS SPARE OIL PRODUCTION CAPACITY FOR EMERGENCY USE, AND COOPERATION IN INDUSTRIALIZATION OF OPEC COUNTRIES. SOME OF THESE SUBJECTS WOULD PRESENT FORMIDABLE LEGAL, POLITICAL AND ECONOMIC CHALLENGES. IN ANY CASE, TO DATE THE MAIN PRODUCERS HAVE DECLINED TO ENTER DISCUSSIONS ABOUT OIL PRICE AND SUPPLY, AND ARE WILLING TO DISCUSS OTHER ASPECTS OF ENERGY ONLY WHEN LINKED TO OTHER DEVELOPMENT-RELATED INTERNATIONAL ECONOMIC ISSUES. EFFORTS IN THE U.N. TO INITIATE DISCUSSIONS SOLELY ON ENERGY, SUCH AS MEXICAN PRESIDENT LOPEZ PORTILLO'S PROPOSAL LAST FALL, HAVE NOT BEEN SUCCESSFUL, LARGELY BECAUSE OF THE OPPOSITION OF OPEC COUNTRIES.

A COMPREHENSIVE PRODUCER/CONSUMER AGREEMENT, EVEN IF ACHIEVED, WOULD BE DIFFICULT TO ENFORCE. TO HOLD DOWN PRICES IN THE EVENT OF AN INTERRUPTION WOULD REQUIRE A BUFFER STOCK OR EXCESS CAPACITY. BUT A BUFFER STOCK OF ADEQUATE SIZE WOULD BE EXTREMELY EXPENSIVE AND DIFFICULT TO BUILD AND MAINTAIN. EXCESS CAPACITY, THOUGH CHEAPER THAN HOLDING STOCKS, IS ALSO VERY EXPENSIVE TO INSTALL AND MAINTAIN. WE COULD OFFER TO HELP FINANCE EXCESS CAPACITY, BUT CONTOL OF THIS CAPACITY WOULD EFFECTIVELY REST IN THE HANDS OF PRODUCERS. INTERNAL POLITICAL PRESSURE WOULD MAKE IT DIFFICULT FOR OPEC NATIONS TO USE THIS CAPACITY TO HOLD DOWN PRICES IF A SERIOUS INTERRUPTION DROVE SPOT PRICES UP RAPIDLY. AND A PRODUCER/CONSUMER AGREEMENT WOULD NOT PREVENT INTERRUPTIONS ARISING FROM POLITICAL INSTABILITY.

SUCH AS IN IRAN. ANY AGREEMENT ON PRICES COULD, THEREFORE, TURN OUT TO GUARANTEE A FLOOR PRICE BUT NOT PREVENT EXCESSIVE PRICE INCREASES.

NOTWITHSTANDING THESE POTENTIAL DIFFICULTIES, WE CAN ENDORSE THE IDEA OF PRODUCER-CONSUMER NEGOTIATIONS. WE ARE CONFIDENT THAT AT LEAST SOME PROGRESS CAN BE MADE.

WE ARE MOVING RAPIDLY AHEAD IN SOME AREAS WHICH THE BRANDT COMMISSION HIGHLIGHTS. THE REPORT MAKES A STRONG CASE FOR MAJOR FINANCIAL AND TECHNICAL ASSISTANCE FOR OIL AND GAS DEVELOPMENT IN NON-OPEC THIRD WORLD COUNTRIES, ESTIMATING THAT ADDITIONAL CAPITAL OF ROUGHLY $14 BILLION ANNUALLY IS NEEDED IN THE 1980S FOR THESE PURPOSES, INCLUDING $3.3 BILLION IN OFFICIAL MULTILATERAL LOANS. WE ARE NOW ACTIVELY SEEKING WAYS TO ASSIST IN EXPANDING OIL AND GAS PRODUCTION FROM NON-OPEC DEVELOPING COUNTRIES. WE HAVE MADE INCREASED ASSISTANCE FOR ENERGY DEVELOPMENT IN ENERGY DEFICIENT COUNTRIES A HIGH PRIORITY ITEM IN OUR APPROACH TO THE UPCOMING UN GLOBAL NEGOTIATIONS AND EXPECT TO RECEIVE BROAD SUPPORT. IN FURTHERANCE OF THIS EFFORT, THE VENICE SUMMIT REQUESTED THE WORLD BANK TO EXAMINE THE ADEQUACY OF THE RESOURCES AND MECHANISMS NOW IN PLACE FOR INCREASED CONVENTIONAL AND NONCONVENTIONAL ENERGY DEVELOPMENT IN OIL IMPORTING DEVELOPING COUNTRIES, TO INVESTIGATE WAYS TO IMPROVE AND EXPAND ITS LENDING PROGRAMS IN THIS AREA, AND TO DISCUSS ITS FINDINGS WITH BOTH INDUSTRIALIZED AND OIL EXPORTING COUNTRIES.

The Brandt Commission also stresses industrialized consumer countries' responsibility in energy conservation and calls for "more ambitious targets than those agreed in 1979 at the Tokyo Summit and by the twenty members of the International Energy Agency." We have been moving in this direction. Our recent commitments at the Summit and the IEA Ministerial indicate that the industrial nations recognize their responsibility and are taking concrete steps to achieve unprecedented reductions in energy consumption within this decade.

Emphasis is also placed on hydroelectric development and on solar energy. We are actively engaged in preparing for the upcoming 1981 UN Conference on New and Renewable Sources of Energy which will promote use of both of these resources as well as biomass, wind energy, ocean, geothermal, oil shale and tar sands, peat and draft animal power.

While the report is clear on the issues of development of oil and gas in developing countries and renewable energy sources, it devotes less attention to coal and nuclear energy. We would emphasize that to the extent that industrialized countries shift to coal and nuclear energy sources, there will be more leeway in international oil markets which would also benefit the oil-importing developing countries. Measures to increase production, trade and

USE OF COAL ARE RECEIVING HIGH PRIORITY BOTH DOMESTICALLY AND INTERNATIONALLY IN THE IEA AND AT RECENT ECONOMIC SUMMIT MEETINGS.

THE BRANDT REPORT PROPOSES THE ESTABLISHMENT OF A GLOBAL ENERGY RESEARCH CENTER UNDER UN AUSPICES TO COORDINATE INFORMATION AND PROJECTIONS AND TO SUPPORT RESEARCH ON NEW ENERGY RESOURCES. IT IS CERTAINLY TO EVERYONE'S ADVANTAGE TO INCREASE INTERNATIONAL COOPERATION ON ENERGY RESEARCH. USEFUL MECHANISMS FOR THAT COOPERATION EXIST NOW IN THE IEA AND IN OTHER BILATERAL AND MULTILATERAL AGREEMENTS AND WE SHALL GIVE SERIOUS ATTENTION TO OTHER POSSIBLE MEANS TO ENCOURAGE RESEARCH WHICH ARE BROADLY SUPPORTED WITHIN THE INTERNATIONAL COMMUNITY.

Mr. **Hamilton**. Well, thank you very much, gentlemen.

FUTURE OF OIL AND WESTERN WORLD

Let me begin just by quoting the final paragraph from the artic by Walter Levy, in the summer 1980 issue of Foreign Affairs, I wa your assessment of it.[1]

As you know, Mr. Levy sets forth his view of what he thinks migh happen in this whole question of oil, and, as the title of the article— "Oil and the Decline of the West"—indicates, it is a rather pessimisti assessment. I want to know whether or not you agree with it, an if you don't agree with it, why you don't.

He concludes this way, and I will quote the final paragraph of th article:

> Instead, we will probably be confronted by a series of major oil crises whic might take any or all of several forms: fighting for control over oil resource among importing countries or between the superpowers; an economic-financi crisis in importing countries; regional conflicts affecting the oil-producing area; o internal revolutions or other upheavals in the Middle East. At best, it woul appear that a series of future emergencies centering around oil will set back worl progress for many, many years. And the world, as we know it now, will probably not be able to maintain its cohesion, nor be able to provide for the continue economic progress of its people against the onslaught of future oil shocks—with all that this might imply for the political stability of the West, its free institu tions, and its internal and external security.

On that very happy note, let's begin the discussion. What do you think of that? Mr. Levy is considered to be one of the top oil experts in the world, and is deeply pessimistic about the immediate future and long-term future in the West, and you are coming here, telling us we have a great program, all set to go, the United States is leading the charge, oil imports are down, consumption is down—imports are not down, but consumption is down—we have a program in place, things are looking up. What you are saying and what he is saying are at very great odds.

Mr. **Twinam**. Mr. Chairman, looking at it from the perspective of the producing countries, I think Mr. Levy makes a number of assumptions that are all possibilities, but there is a good bit of dispute perhaps about how probable they are. There is no question about the fact that producing countries like Saudi Arabia, other gulf countries, are concerned about possible competition for their oil if dependency is not reduced, and therefore I think they look upon our efforts and those in other industrial countries to reduce dependence on imported oil as one of the factors that will tend to relieve tensions in the area.

As far as the possibility of any regional conflicts is concerned, and internal disturbances in the countries, one simply can't look back over the last 10 years or so without agreeing that, of course, there are possibilities, and problems in what has in modern times been a fairly turbulent sort of world, but I think there are ways that we and other industrial countries can work with the producing states, and that we have been trying to do this and will continue to in a way that will improve the prospects for order in the region, regional cooperation, and certainly we are well into making new efforts to try to give the regions a better security environment in terms of——

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[1] See app. 5, p. 428.

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EFFECTS OF PRESSURES ON OIL SOURCES

Mr. HAMILTON. Would you reject his basic viewpoint as expressed in that paragraph? He says we will probably be confronted with, and he lists all these shocks. You reject that.

Mr. TWINAM. I say we conceivably could be confronted with.

Mr. HAMILTON. Look, he has a deeply pessimistic view of things here, as I read it. Are you pessimistic, or do you just reject his point of view?

Mr. TWINAM. I am not that pessimistic.

Mr. HAMILTON. You think he is wrong?

Mr. ROSEN. I don't think it is a question of wrong or right, I think he points out a real danger. Incidentally, my view is that we have made considerable progress from where we were, but if you measure the progress against the dangers, it is not nearly enough. If I left a different impression, I didn't mean to.

You can't dismiss his view, because the consequences of the events he suggests may happen, or he thinks will happen, are so great that you have to adjust your policy to make sure you avoid them. I think that it is not inevitable that we will reach the kind of results Walter Levy is suggesting. I think he does a service to indicate what the dangers are.

Let me, from the point of view of consuming countries, indicate some of the tools we have to try and deal with this. You read about, for example, the possibility of the industrialized countries squabbling among themselves for available oil. We do have in the International Energy Agency a forum in which we are really dealing with these problems. It isn't easy, when there are different interests, but it has been relatively effective, and it has focused the attention of the developed countries on how we can deal jointly with these problems, and we have made progress in that respect.

Sometimes I think we forget that a measure of progress which is not so apparent, is what has not happened. We have not had the kind completely uncontrolled scramble for oil over the last year or so that we might have had without the IEA. Even though our results have not been perfect, we have made efforts to cool down the market. We are talking further and recognize our common interest in a common solution. I think that is a positive element. We have to work hard at it; it is not going to work automatically, but it is a forum.

On the economic shocks. I think again that there is a real danger, but one positive element is that at least some of the major oil-exporting/producing countries recognize they have an interest in the health of the world economy, and that affects their behavior. I note Saudi Arabia is an example, and not the only one.

In sum, though, I would say if any of those things laid out by Mr. Levy happen, the result would be so bad that we can't afford to take the chance, and therefore we really have to redouble our efforts both domestically and internationally to make sure that it doesn't happen. I think we can really get through it without these things happening, but there is sufficient risk to make me uneasy.

Mr. HAMILTON. Let me ask about your charts, Mr. Moose. You gave us the free world oil production in one of your charts, and your estimates on that, but you did not give us what your estimates were on demand. Do you have anything on that side of the equation?

Mr. **Moose**. Yes, Mr. Chairman.

Mr. **Hamilton**. Do you have that in a chart?

Mr. **Moose**. We don't, but demand would be essentially equal to supply, and I was talking about the availability of 52 to 53 million barrels a day in 1985, so essentially demand will be supply constrained. Demand will be held to the available level of supply by fairly significant increases in real prices.

Mr. **Hamilton**. You would expect, then, the existing situation, which is one of fairly tenuous balance between world demand and world supply, to continue on for the next five years?

Mr. **Moose**. Yes, in a sense, but accompanied by fairly significant real price increases. In other words, we expect the price of oil to increase faster than inflation in general, and that would tend to dampen demand somewhat, so it would remain in balance with supply. The price will always act to equilibrate the market, and we expect that will continue over the next 5 years.

SAUDI OIL PRODUCTION

Mr. **Hamilton**. Let me ask a few questions of Mr. Twinam about Saudi Arabia. They are producing 9½ million barrels a day?

Mr. **Twinam**. Yes.

Mr. **Hamilton**. Are we encouraging them now to continue that level of production?

Mr. **Twinam**. I think, as you know, Mr. Chairman, we talked with them 1 year ago about the world supply-and-demand situation, and hopefully that had some impact on the decision to increase production 1 million barrels a day above the preferred level, or so-called ceiling. We have remained in very close discussion with them, and, of course, one of the ongoing issues here is how they perceive the supply——

Mr. **Hamilton**. I am asking, are we encouraging them to continue production at 9½ million barrels a day?

Mr. **Twinam**. Yes, sir.

Mr. **Hamilton**. What have they said to us? We will do so, and, if so, under what circumstances, or we will not do so? What are they saying to us?

Mr. **Twinam**. It is important to keep in mind from the very beginning of the production increase—consistently throughout—they have made it clear, publicly and privately, it is a temporary increase. They want to go back to 8½ and intend to do so. So it is a question of how long they will keep the extra production on. It is not clear to us that any firm decision has been made regarding the third quarter of this year, but we are reasonably optimistic, in large part because of the Saudi policy of trying to unify prices in OPEC, that the Saudis are willing to continue at 9½ for the third quarter.

Mr. **Hamilton**. I have heard there are just one or two senior members of the royal family who are arguing to maintain the level of production at 9½ million barrels a day and almost all the other sentiment in the country is for reduction in the production of oil. Is that correct?

Mr. **Twinam**. There are indications that we think are quite reliable that among the technocrats in Saudi Arabia and people who are responsible for handling and investing the money, among the western-educated people generally, that there is strong and growing pressure to cut back on production. I don't think we have a poll as to how the decisionmakers come out on it.

Mr. HAMILTON. I will ask Mr. Barnes to take over the chair for just a few minutes while I run out to see some people. I will call on Mrs. Fenwick at this point.

Mike, would you preside for a few minutes, and I will be right back?

Mr. BARNES [presiding]. Mrs. Fenwick.

POSSIBLE BUYERS' CARTEL

Mrs. FENWICK. Thank you, Mr. Chairman. I wonder if any of you would like to comment on the proposal one hears about, from time to time, of a buyers' cartel, a buyers' group, to set buying practices, prices, and whether you would advise that—how that would be perceived by those who are selling?

Mr. MOOSE. I will start by commenting on it. I think it would be very difficult to operate, because I don't think you could get everybody into it.

Mrs. FENWICK. Why?

Mr. MOOSE. Because I think that there would be a big advantage to those who stayed out in the sense that they would have guaranteed sources of crude oil because you would undoubtedly end up in some sort of confrontation with the producing group, the OPEC group, and this confrontation I don't think would be terribly pleasant. I think it would be a real advantage to, say, Brazil, to be outside the consuming group.

Second, I don't think you could actually do it. I don't think you could ever get the Japanese, Germans, and so forth, to come into such a cartel.

Mrs. FENWICK. But it would seem to me so obviously in their interest, and in the interest of Brazil, too. In other words, how does one deal with a relatively small group in charge of an absolutely essential product, a group that has gotten together and is bound together, with almost uniform actions? It seems to me that without adopting an angry spirit or a confrontational mode, we could come to some agreement with them as to how this will proceed.

Maybe it would require a balancing agreement as to what they feel they need to buy, and the prices for that, with some kind of orderly procedure. It seems impossible to have the world continue as it is. You speak of the need to encourage stability. How in heaven's name do you encourage stability in an area composed of independent sovereign nations, which are not going to be, and should not be, pushed around by anybody?

How do we encourage stability? It seems to me perfectly impossible. Is that any basis for our hope for the future? We can redouble our efforts all we want to. I don't know what efforts you could make to encourage stability. I would like to hear about that, too.

Mr. MOOSE. Excuse me, I thought you were thinking more confrontational. In terms of keeping up dialog——

Mrs. FENWICK. It is useless dialog, apparently.

Mr. MOOSE. I am not sure it is useless. We have a dialog with some individual producers which has been helpful, as Mr. Twinam pointed out, with Saudi Arabia. It is even possible to have a broadened dialog. But I think a confrontational, sort of consumers-purchasers' group, facing a sellers' group, I don't think would produce very useful results.

Mrs. Fenwick. I don't see why it has to be that. Why do you take for granted it is going to be confrontational?

Mr. Moose. I think the choices are either somewhat confrontational or some sort of cooperation, which is what I was thinking of in terms of dialog. We are both interested in a stable supply of oil and a stable price path.

POSSIBLE AGREEMENT BETWEEN PRODUCERS AND CONSUMERS

Mrs. Fenwick. It doesn't work. Look at your charts. There is no point. It doesn't work. The only way, it seems to me that it is going to be possible to hold those charts at any level is to have some kind of agreement between the buyers and the sellers, to have a dialog in a perfectly friendly and nice way with those who produce. But it will not work if the minute anybody talks about organization, it is immediately taken to be confrontation. I would love to have other views on this.

Mr. Twinam. Mrs. Fenwick, I think there is a distinction obviously, between a process of building common interest with them and a confrontation. It is so important how you handle it. Organizationally, it really is difficult, I think, for the producers to get together as a group, to talk with consuming nations representative consuming nations. There are a lot of conflicting interests among the OPEC countries. And there certainly are some countries that have developed a very strong self-interest in the welfare of the industrial world because of their investment, because of the impact of economic conditions on the general security situation in the world.

I think it is with these governments that we have well begun and have made some progress, though we have a long way to go, and it is going to be difficult to develop a better sense of common responsibility.

I think if you look, for instance, at the attitude of Saudi Arabia, for example, toward production over the last year——

Mrs. Fenwick. Yes, one could look at Saudi Arabia every day, thank goodness, not knowing where else to look. You know, the present situation cannot be tossed aside, and neither can your charts. We are obviously not doing something very productive right now. We don't seem to be encouraging stability, much less succeeding in establishing stability. How are we succeeding in holding to normal prices? We are not succeeding.

Yes.

Mr. Rosen. I would like to take a crack at your question, too. I would have to say at the outset I agree with my colleagues in substance; I don't think there are prospects for a buyer's cartel. And I think one of the basic reasons is that you really would be pooling weakness, and you are not going to come out with more than a sum of that weakness. So long as the market balance is tenuous, and equally important, so long as the perception of what the market will be in the future is a continued tight market, possibly with interruptions in supply, either by design or political accident, buyers are in a very weak position. I don't think they see they are in a position to force anything on the sellers, even if they should be inclined to do so.

So I think there is no support, really, for a buyers' cartel; that is, even assuming that the economic structure and the amount of energy produced domestically in each energy consuming country were such that one could have a common interest; unless the consuming countries become far less dependent on imported oil, I think there is no chance whatever of their joining together in some kind of joint action and changing the situation.

The situation really stems from the imbalance in the market and from perceptions of the future market rather than from the organization in terms of a cartel on one side or the other.

DEALING WITH PRODUCERS

Mrs. Fenwick. There is no way to use the prices of manufactured goods or equipment, or something that they might want that we could balance off against oil?

Mr. Rosen. I think not really, I think we need their oil a lot more than they need any of the products that we might even think about banding together to deal with. I just don't think that is a feasible way to go, even if one were willing to risk a confrontation.

Mrs. Fenwick. And they are not interested in their investments? It would seem to me by this time that would be one of the things that would concern them, because they certainly have bought some agricultural land, and if things got desperate, there is always a chance any country might expropriate and, as indeed countries have expropriated oil fields—in Mexico, for example.

Mr. Rosen. I would go the other way. I think it certainly is in their interest to take their funds and invest them. I think it is in our interest for them to do so, and in our mutual interest for us to help them develop as they can. They develop a greater stake in the world economy, and their own economy.

Mrs. Fenwick. I am all for it. That is what I was suggesting.

Mr. Rosen. I think that is fine, but I think there should be no question of our holding any of their assets hostage; I think that is entirely the wrong way to go. We should assure them we welcome their——

Mrs. Fenwick. I mean if our economy collapses on account of their piracy, it will not benefit them and the investment they have in these collapsed countries. I did not mean we would plan to grab it and take it away from them. But if a collapsed economy comes, anything can happen, and retaliation is obviously a possibility.

I think there is something intolerable in the situation in which we find ourselves. I don't know why you gentlemen are so happy. I feel more like Mr. Levy. Listening to you and watching your charts, I sit here appalled, and you are fairly calm, all of you experts.

Mr. Rosen. Apparently I have been giving the wrong impression. I am appalled, but my basic point is for any of our international policies to deal with the situation to be effective, we have to have in the United States and in the industrialized countries strong domestic policies designed to cut our use of energy and to produce alternative sources. I see really so substitute for that as underpinning for our international policies.

If we do those things, we can magnify the effect through appropriate and competent international policies. If we don't do these things, I don't think there is any international policy we can follow which will get us out of this morass.

ENCOURAGING STABILITY IN PRODUCING COUNTRIES

Mrs. FENWICK. I would like to hear you tell us what you think we can do to encourage stability?

Mr. ROSEN. Well, as I indicated, the first thing is to consume less energy.

Mrs. FENWICK. No, no. I say in these other countries.

Mr. TWINAM. Stability in the countries?

Mr. ROSEN. In the producing countries?

Mrs. FENWICK. Yes.

Mr. ROSEN. I defer to my colleague.

Mr. TWINAM. If you listen to leaders in the producing countries in the Middle East, they would talk about two things that concern the people, plus a third, the adjustment to change brought on by modernization. First, they talk a great deal about the Arab-Israeli problem and how lack of solution of that problem creates tensions in the area, tensions that bring external pressures on the area as well as internal dissensions and tensions within the countries, second, those countries in particular with which we have better relations are deeply concerned about the Soviet's role.

So to the extent we can continue to make progress toward a comprehensive peace in the Middle East, to the extent we can maintain a military posture that achieves a global balance that tends to deter Soviet pressures on the area, we have done a great deal to relieve tensions in the area.

Mrs. FENWICK. I see. Thank you.

Mr. TWINAM. The problem of how you deal with internal change, that is a much more difficult thing for us to deal with. Except I think without exception in various ways we have been working with these governments on the economic and social side and trying to help them make change orderly within their countries.

I think there is no question that they all perceive our dedication to the concept that governmental institutions in these countries have to—political institutions have to—keep pace with the economic and social change in a way that did not happen in Iran and is essential for stability.

Mrs. FENWICK. Thank you, Mr. Chairman.

Mr. BARNES. Thank you.

Let me follow up, if I may, because I am intrigued by the concept that we are not essentially in a confrontational posture now. As Mrs. Fenwick said, the price of something that is a fundamental necessity to economic life in the world has more than doubled in the last 18 months. The projections are rather bad.

IMPACT OF LOSS OF OIL SUPPLIES

There have been leaders who have come here to the Congress in recent months who were perhaps even more pessimistic than Mr. Levy. President Sadat told members of the Foreign Affairs Committee when was here, I am not quoting him, but essentially he found it incon- ivable that the present ruling powers in major oil countries would ntinue to have the same kind of posture that they have today 6 ars from now or 8 years from now. He told us that the one thing can be assured of throughout the 1980's is that there will be major anges in leadership and policy in the major oil-producing countries.

About that same time our ambassador to Saudi Arabia was quoted the front page of the Wall Street Journal as saying if what hap- ened in Iran were to happen in Saudi Arabia, that is a one-third duction in the export of oil—I guess it is more than that according the figures we saw today. The impact would be enormous. In fact, was essentially quoted as saying if what the average Saudi Arabian an or woman in the street wanted to happen, turning to Mr. Hamil- on's commentary, that there may be a division with Saudis aside, the npact upon the West would make the depression of the 1930's look ke prosperity, something to that effect.

What is your assessment of the likelihood of President Sadat's redictions being correct and what is the estimated impact on the U.S. gross national product of a loss of say one-third of Saudi sup- lies? Or let's go to the extreme, that there is a coup this afternoon nd all of the Saudi production is shut own next week and the world oses what amounts to about one-third of the export supplies of the world, what would happen?

Mr. Moose. Let me just try to answer the two questions. One is the issue of what President Sadat said.

Mr. Barnes. I am not quoting. I want to be clear about that. It was the import of what he said, that there are forces at work within and without the nations in the Middle East, that we can anticipate continued changes in government and in policies in that region as we have experienced repeatedly over the last 30 years may change.

He cited the fact there were six major wars in the last 30 years, countless changes of government, and we can expect this to continue through the eighties, and this would affect the major policies in the major oil exporting countries.

Mr. Moose. I think we will be very lucky to get through the eighties without some sort of supply disruption. We have had two in the seventies, the Iranian problem, and the 1973–74 war.

I think the probability of any particular event might be fairly small. If you look at it in statistical terms, however, the probability that each year you are going to miss some disaster out there gets smaller and smaller. You are going to get hit with something. We don't know where from. That is why we need standby authority to handle that disaster when it shows up. I think it is likely to show up.

Secondly, what would be the impact of a loss of OPEC oil on the economy? It would be severe. The greater the loss, the more severe. Normally the short-term price elasticity, that is the percentage change in price over the percentage change in supply, is about 0.1, which would indicate a loss of 4 million barrels per day, could produce as much as— that would be 4 over 50, 8 percent loss, of supply and a 80-percent jump in real prices.

That is the order of magnitude that we had with the loss of Iran. We lost 2 to 3 million barrels per day, with an enormous surge in prices. That will feed back to loss in purchasing power and presumably result in a recession. The exact numbers in terms of what it would mean to GNP I can't give you offhand. But the bigger the loss, the more disastrous it would be to the economy. In any case, it would be bad.

STRAIT OF HORMUZ

Mr. **Barnes**. The Iranians, as I recall, threatened to shut down the Strait of Hormuz if the United States or the West should take any further action comparable to the rescue, attempted rescue of the hostages. Do the Iranians have the capability of shutting down the Strait of Hormuz? And if they do or if others do, what would the impact of that be on the flow of oil out of the gulf and what would be the disruption of that kind of action.

Mr. **Twinam**. Mr. Barnes, there has been a lot of public discussion about the Strait of Hormuz. We have taken a very hard look at it over the years. In particular in the last year or so, I think the professional assessment is that short of blockade it would be virtually impossible to block the Strait of Hormuz. But it would be serious nevertheless, in a very temporary sense, the sort of psychological impact on financial markets if there were some serious sabotage incident in the Straits.

It is conceivable that certain types of mining operations, and only certain types, could greatly increase the danger of blocking the Strait, but a blockage is out of the question except by some kind of military blockade.

Mrs. **Fenwick**. Will you yield?

Mr. **Barnes**. Happy to.

Mrs. **Fenwick**. We have heard testimony that, there are two entrances, one 2½ miles wide and another on the opposite side of a little island to the west. We were told that all one would have to do would be to sink a couple of ships with enough guns on the shore to stop anybody trying to raise them. That was testimony that we had before one of the committees here.

Mr. **Twinam**. I think if artillery were poised over the Strait——

Mrs. **Fenwick**. Yes, because you could block it with a couple of sunken ships. All you would have to do would be to sink a couple of ships.

Mr. **Twinam**. That is really not true, it is a very wide channel.

Mrs. **Fenwick** Not so?

Mr. **Twinam**. Only mining, I think would really impede movement through it.

INTERNAL STRESSES

Mr **Barnes**. I wonder if I might just go back to your earlier question. You mentioned both a change of government in both countries and a change of policy. We obviously have a very major national concern in order in that part of the world. Over the years we have examined the prospects for stability very, very carefully. I think it is our assessment that Saudi Arabia and neighboring smaller states in the gulf have really made of lot of very impressive progress over the last decade or so, in nation building, getting the benefits of oil wealth down to the people, building modern societies.

These governments are acutely aware of the internal stresses, both the regional situation and the development in their own countries put on them. I think we are fairly optimistic about their continuing in the right kind of regional security atmosphere, absent very serious deterioration in the Arab-Israel situation, to develop in an orderly way.

But the policy debate in these countries goes on constantly in terms of how big their interest in the welfare of the industrial world is, how much of their national resource they should be spending because of the demand in the West. In a country like Saudi Arabia, I do not see factions in this. I think this debate goes on in every Saudi's head. This is going to be an increasing problem in this decade.

We see in Kuwait, for instance, which is often the leader in developing thought in the area, a very tough conservationist policy, a commercialization of oil policy, a sense that we are going to produce only so much and the world is going to have to live with that and take it on our terms.

KUWAIT

Mr. BARNES. To what do you attribute that distinction between the Kuwaitis and the Saudis? That is an interesting observation, if I may interrupt your trend of thought there. It is something else I wanted to ask.

Mr. TWINAM. I think the Kuwaitis have felt public pressure for 15 years, concern about what happens when the oil runs out, and that the conservationists' attitudes developed much earlier and much more vocally in Kuwait. Kuwait has had a representative body, a parliament. It is no longer in session, but before it was prorogued, the parliament very clearly came out for a 1.5-million-barrel-per-day level of production. Government policy at that time was a 2-million-barrel level.

The government has talked very seriously about reinstituting the Parliament. I think the concept that there was a public will on record to go down to 1.5 million barrels a day has had considerable influence on that decision. They have tried industry and they have seen the difficulties of developing industry, where you have a small population and are dependent upon foreign workers. They have tried certain aspects of modernization that they find just don't work for them. But there is another very important distinction. That is that the Kuwaitis are in a position to say that whether it is 1.5 million or 2 million barrels a day, we really don't control the market; therefore, we don't have the same sort of responsibility toward the international economy that a larger producer might have.

MANAGING CRISIS IN PERSIAN GULF

Mr. BARNES. How do we respond if Mr. Levy is right and your hopes don't work out as well as everyone here obviously hopes that they do, what are the options for the West in the kind of crises envisioned by Mr. Levy? What kind of military response would be possible, if any? What kind of economic response, what kind of joint action might be taken by the importing countries in the event of the kinds of crises that Chairman Hamilton outlined at the beginning of this discussion which Mr. Levy regarded as probable and you all regarded as, I gather, possible but perhaps not probable?

Mr. **Twinam.** One option for managing such a crisis—I think we have had very good experience with this in the last year and a half from the producer side—is trying to encourage a certain amount of buffer capacity, if you will, a certain amount of spare capacity, so that if there is a crisis in one place, there are other governments that are both willing and capable of making up some or all of the difference.

Of course, I think much of the price problems we are seeing in the last year is the fact that the other producers, including Saudi Arabia, were not really fully able to make up the Iranian production or at least to make up for the psychological impact on the market of the Iranian production.

Mr. Rosen may want to address some of the consumer country problems.

ROLE OF IEA

Mr. **Rosen.** If there is a major interruption because of some political or other kind of accident, we do have the International Energy Agency's emergency sharing scheme. From the outset I want to make clear that the IEA system does not create any new oil. What it does do is tend to ensure that each country gets its fair share of what is left and avoid unnecessary bidding up of prices. Nonetheless, if there is a prolonged situation, inevitably we are going to have price increases, lower growth, and economic problems.

At least the International Energy Agency's program permits you to get through a relatively short-term interruption, possibly without any deleterious effects or without very serious deleterious effects. If it is a longer term interruption, it prevents a multiplication of the problem by each country bidding against each other country and driving prices up even more than the market would justify with the new supply-demand balance. It is of some comfort and it is helpful, I think essential, but obviously it is not the whole answer. I think again the amount of reserves you have would be important, both commercial and strategic, as ways to cope with interruptions.

I would make one other point.

Even if there were a change in Saudi Arabia, and all the oil were cut off—this is purely hypothetical—I think any government in Saudi Arabia would want to export a large amount of oil.

Mr. **Barnes.** One would have presumed about Iran but also in the case Mr. Moose gave us, that not only is Iranian production already down very substantially but, unless they take drastic actions to upgrade their facilities, they may not be an exporter at all 2 years from now, as I recall your testimony.

Some comparable kind of chaos could take place in Saudi Arabia. At what point—you are very marvelous diplomats——

Mr. **Twinam.** I am prepared to talk about it.

Mr. **Barnes.** At what point do these actions Mr. Levy has postulated as probabilities become unacceptable to the United States and to

West to the point that some kind of action on our part or concerted h others is required? Maybe that is too specific a question.

Ir. **Rosen**. No.

Ir. **Barnes**. Are we as a nation contemplating what is told us by erts may in fact be a probability within the near term?

ALTERNATIVE SOURCES

Ir. **Rosen**. The point is right now, I would think the dangers, not essarily probabilities but the dangers Mr. Levy suggests are real ough now that it requires action now. The primary action required to reduce our imports of oil to increase alternative sources. I think at is the basic action. We have to do as much as we can as fast as can right now.

We may have a slack market for the next year or two. We clearly e under current trends a problem in 1985, and an even worse probn in 1990. A lot of the actions you take have long lead times, nthetic fuels, other actions developing various alternative energy urces. I think you must act now, very clearly.

We have made some progress and we are making progress domestilly, but I think we have to do more, quite clearly. The risks we face w for 1985 and 1990 on the basis of current trends are unacceptable d we will have to do more immediately.

Mr. **Barnes**. I guess I need to be a little more blunt with e question.

POTENTIAL MILITARY ACTION

Is there a point, if one of these crises that is indicated, and may in ct be probable, occurs, that the United States will recognize that s national interests are so threatened, so directly threatened that we ill need to respond beyond dialog with the countries upon which e are today so dependent?

Mr. **Twinam**. I think the question is whether there are military ptions. I think the President spoke to that in the State of the Union essage in which he described the resources of the area as vital to J.S. interests and we will respond——

Mr. **Barnes**. That is what I am getting at.

Mr. **Twinam** [continuing]. Respond as necessary, including the use f military force.

I do not think it is very useful to try to spell out scenarios. I think here is a very important distinction that does have to be understood; hat is that the ability of the United States militarily as a world power, working with allies to keep outsiders from intervening in the area, is one thing and a force for stability in the area. A perception in the area that the United States or others contemplates seizing oil fields is what gets you the revolution.

SOVIET ACTIVITIES

Mr. **Barnes**. That is right. In that context, you mentioned in response to a question from Mrs. Fenwick the perception in the region by our allies and others that the increasing Soviet activities in the region constitute a threat to stability. Could you sort of outline for the record and the subcommittee your assessment of the Soviet activities over the last year or two. Particularly I am interested in focusing not so much on Afghanistan, which everyone is also familiar with, but on Yemen, Ethiopia, and actions being coordinated out of Libya. Also to what extent those Soviet activities, Cuban activities, and East German advisers are involved in some of these nations. What activities may have increased or decreased, and whether the threat is greater or lesser today and what response is contemplated?

Mr. **Twinam**. Well, as we have discussed the situation with governments in the area say over the last 4 years, they would acknowledge that the loss of Soviet influence and presence in Egypt is profoundly important, but it is a long time ago and they tend not to focus on that, or Sudan, and they have been deeply concerned, to put it in sort of a chronological order, first about the Horn of Africa situation and a Soviet role in Ethiopia—Soviet and surrogate role in Ethiopia.

This problem was intensified in their minds by the Iranian revolution, because Iran had been clearly perceived by other countries in the area as a major force for stability and security in the region and it suddenly became a place that in itself was unstable.

The Iranian developments seemed to us to focus intense new concern on the Soviet role in South Yemen. This is an interesting point because the Soviets have been in South Yemen for a long time and were much more active in North Yemen in the sixties and early seventies than they have been recently. But I think that in a weakened regional security situation, because of Iran, the Horn of Africa, the governments became more concerned about the Soviet role in South Yemen, even though it didn't seem to increase numerically a great deal. The fact that the Soviets were pouring new equipment into South Yemen and seemed to develop some supply linkage between Ethiopia and South Yemen—caused people like Saudi Arabia and others in the region to be deeply concerned.

I think the kind of response we made during the fighting in Yemen in early 1979——

Mr. **Barnes**. The $400 million in military equipment, where is it now? Did some of it get there?

Mr. **Twinam**. All of it got there, it all got there. Training is going rather well. It has been deployed. Unfortunately, as you know, there is a good bit of Soviet equipment alongside of even more recent vintage. Our actions did then send signals not just to North Yemen but to others that we were prepared to respond in certain ways to that sort of Soviet threat.

I think all of the people on the other side of the gulf are concerned about the Iranian situation and how that might unfold, what threat the Soviet Union poses to Iran.

And finally, as you have mentioned, the invasion of Afghanistan was the most dramatic event indicating Soviet intentions toward the region. And it got a very strong response from the Saudis and others in the gulf who in the Islamic context have organized certain forces to support Pakistan and other countries and to respond in various ways to that.

BOYCOTT LANGUAGE IN STANDARD OIL CONTRACTS

Mr. **Barnes**. Let me focus in on something somewhat more specific. There was some talk in 1979 about Iraq intending to add certain types of boycott language to standard oil contracts. Do Iraqi contracts today contain provisions regarding boycott of Israel?

Mr. **Moose**. There is some boycott language in their provisions, yes. I think that it prevented U.S. firms; that is, firms with headquarters in the United States, from buying oil from Iraq. I do not think any of our firms are currently doing so. They cannot import it to the United States if they buy it there.

Mr. **Barnes**. I am sorry.

They cannot buy oil in Iraq and import it to the United States?

Mr. **Moose**. Yes.

Mr. **Barnes**. Mr. Moose, what is the level of present Iranian production. Is it 2 million barrels a day?

Mr. **Moose**. About 1.5 million barrels per day.

Mr. **Barnes**. About 1.5 million. Who is buying it?

Mr. **Moose**. Mostly LDC's and Eastern Europe.

Mr. **Barnes**. Is any of it to your knowledge winding up in Western Europe or in Japan?

Mr. **Moose**. Yes, not in Japan, but a little bit is coming into Western Europe. Spain may still be buying some. There may be a couple of other small countries buying it, but not in any substantial volumes.

Mr. **Barnes**. Thank you.

Our chairman has returned.

Mr. **Hamilton**. Thank you. I appreciate your taking over.

DISCUSSIONS WITH PRODUCERS

Mr. Rosen, on your statement on page 20 when you are talking about the producer-consumer agreement, and I think that may be in the context of the Brandt commission recommendation, you have this sentence:

> The main producers have declined to enter discussions about oil price and supply and are willing to discuss other aspects of energy only when linked to other development-related international economic issues.

Now what is wrong with their position? That doesn't seem to me to be an unreasonable position. Why are we unwilling to enter into discussions on oil price and supply with these countries, if part of the agenda is going to be other development-related international economic issues?

Mr. **Rosen**. Mr. Chairman, the point is that up to now they have been unwilling to discuss price and supply in any context. They are willing to duscuss energy generally, excluding price and supply, if that is linked to other issues. But even linked to other issues, they have not been willing to discuss price.

Mr. **Hamilton**. They are not willing to discuss oil price and supply, period?

Mr. **Rosen**. So far, yes; they have resisted that sort of discussion.

Mr. **Hamilton**. And they are, as you say, willing to discuss other aspects of energy only when linked to the developmental issues?

Mr. **Rosen**. Yes.

Mr. **Hamilton**. But even in that context they will not talk about supply and price; is that it?

Mr. **Rosen**. That has been the position of a number of producers so far.

Mr. **Hamilton**. What producers are you referring to?

Mr. **Rosen**. Well, it has been an OPEC position generally.

OPEC POSITION ON BRANDT COMMISSION RECOMMENDATION

Mr. **Hamilton**. How would you state the OPEC position for me on this question of the Brandt Commission recommendation, the producer-consumer negotiations? What is the OPEC position on it?

Mr. **Rosen**. I do not think we know yet what the OPEC position will be on the Brandt Commission recommendations. There were, as as you know, some participants from OPEC countries on the Brandt Commission. I think they are going to have to digest it and we will have to see. In the past and in the current global negotiations, it is our impression that OPEC has been resisting discussions of energy prices. But whether they will modify their position is something we will explore.

Mr. **Hamilton**. What is your position?

Mr. **Rosen**. Our position is that we would welcome a dialog on energy, including price and supply and other aspects—aid for developing countries in the energy field; aid for industrialization of OPEC exporters. We would welcome a wide ranging dialog on energy if the producers are interested.

Mr. **Hamilton**. So we are ready to talk without preconditions; is that it?

Mr. **Rosen**. I would say that is right.

Mr. **Hamilton**. And we are going to enter into discussions with what groups, all groups on this question of a producer-consumer agreement?

Mr. **Rosen**. Yes.

I would say our approach is pragmatic. We are willing to discuss it bilaterally, small groups, in the U.N., wherever it seems to be feasible, workable and acceptable to the OPEC and other countries.

Mr. **Hamilton**. What are we doing at the moment? What approaches are we making to follow through on that position?

Mr. **Rosen**. Well, we are working in the preparations for the global negotiations in the U.N., to achieve an appropriate agenda on energy along with other industrialized countries; we are pursuing, as we generally do, bilateral talks with many producers. Those are the key efforts right now.

BRANDT COMMISSION

Mr. **Hamilton**. All that came out of the Venice summit was a comment that we are considering the recommendations of the Brandt Commission; is that right?

Mr. **Rosen**. I do not remember the precise reference. I think that is correct.

Ir. Hamilton. Mr. Moose, your statement talks about "President ter has approved an interagency task force review of the com- sion's findings."

Ir. Moose. I believe that is correct.

Ir. Hamilton. Who is on that interagency task force, who chairs it, at is the status of the discussions?

Ir. Moose. I am not quite sure. Again, I am sure that State and E and NSC would be on it. I suspect Mr. Fried is intimately olved but I would not—I would have to get back to you exactly as where we are on the task force unless one of my colleagues knows.

Ir. Hamilton. Now wait a minute. You have in your statement e that that review is currently being finalized and you can't tell who is on it?

Ir. Moose. I personally am not involved with that particular task ce. That is actually Mr. Borre's statement which I am giving on behalf. So I have not been involved with looking at that Brandt mmission report.

Mr. Hamilton. Are you rejecting authorship of the statement?

Mr. Moose. Yes, that particular statement.

Mr. Hamilton. How about you, Mr. Twinam, can you help us out this? We have an interagency task force reviewing the commission's dings, now being finalized. Who is on it?

Mr. Rosen. I am ready to answer if you are going down the line. CA is chairing it.

Mr. Hamilton. Is that Tom Erlich's group?

Mr. Rosen. That is right.

Mr. Hamilton. Is that the one that is referred to here, do you ink?

Mr. Rosen. I think it must be, because they are chairing that study d my recollection is that the Departments of Energy, State, Treasury, d AID, are participants; possibly others, but those are, I am quite re, on the task force.

Mr. Hamilton. Look at this statement. You just told me a moment go that we are ready to discuss without preconditions, but Mr. orre writes in his statement, "We must avoid having too many ountries involved and too many issues discussed since then very little ould be accomplished."

Now how do I reconcile that statement with what you have given e?

Mr. Rosen. Well——

NATURE OF DIALOG

Mr. Moose. I think one of the issues is that you don't want another omething like the CIEC conference, which was about 4 or 5 years go, in which you had a large number of countries and you opened it p to a whole series of north-south issues including various types of ood grains, metals, minerals, oil, et cetera.

At some point you get too many countries, too many issues involved, and get no resolution of the problem. So I think there is a common idea. If you can limit it down to some manageable size of group of countries——

Mr. Hamilton. That is a very different approach than Mr. Rosen has taken.

Mr. Moose. No.

Mr. Hamilton. It ought to be the same, don't you think? Don't you think you fellows ought to be presenting a common position to me this afternoon?

Mr. Moose. Yes.

Mr. Hamilton. Or is that too much to expect?

Mr. Moose. I disagree with you that it is different.

Mr. Hamilton. Let's examine that.

You disagree with me that it is different. Mr. Rosen said we are prepared to talk with anybody, anyplace, any time, without any preconditions. Mr. Borre says we must avoid having too many countries involved and too many issues discussed since then very little would be accomplished. There is a very great difference in those two approaches.

Mr. Rosen. Can I try to reconcile it from this side?

Mr. Hamilton. Sure.

Mr. Rosen. We are flexible in achieving progress toward a genuine discussion on energy price, security of supply, other aspects of energy that are important. For example, I do not rule out the U.N. global negotiations as being useful in setting the stage for such negotiations, creating an atmosphere of confidence, making some progress.

I think if you are going to get down to any kind of really firm comprehensive agreement, you are inevitably going to have to have a small group of countries. But to get to that point, you can have a larger group delegate to a smaller group of countries this task. You can have an agreement negotiated by a smaller group of countries ratified by a larger group.

I think Mr. Borre is correct that when you are actually negotiating something in which some members of the committee have demonstrated some interest, some sort of agreement on security of supply, and prices, you are going to need a small group of countries.

Mr. Hamilton. Mr. Rosen, I understand the difficulties of trying to work out a consumer-producer agreement. I don't minimize those difficulties. I know they are enormous. I can appreciate personally the necessity of some limitations as expressed in the statement.

I am interested in a serious effort by the United States to explore the possibilities of a consumer-producer dialogue and I have the sense that we have not explored that sufficiently. And your testimony this afternoon does not give me great confidence that we have explored it sufficiently, because I think there are some differences in your emphasis and I think your lack of precise knowledge on this interagency task force and when its review is to be finalized would suggest that.

All I am saying is I hope we will get cracking on that and look at that carefully. I know it is a very, very tough issue. I appreciate that.

We will submit to you a number of specific questions calling for largely factual answers about production levels in the various countries and the like.

STRATEGIC PETROLEUM RESERVE

Now what is the status of our strategic petroleum reserve?

Mr. **Moose**. We have 92 million barrels in it. Under the Energy Security Act which was signed yesterday afternoon, the administration is committed to adding oil to it at the rate of at least 100,000 barrels per day in fiscal 1981.

Mr. **Hamilton**. What kind of problems is that going to cause us with the Saudis?

Mr. **Moose**. We have talked with the Saudis about our felt need for a strategic petroleum reserve and about the stability of the world oil market. They have of course been trying to obtain some degree of stability in oil prices. That is their reason for increasing production, and I think they are somewhat concerned about the removal of 100,000-plus barrels per day from the world oil market.

We have not, as far as I know, ever had any direct threat from them—though maybe Joe can comment on that—certainly since Secretary Duncan has been Secretary of Energy we have had no direct threat from them that they would specifically cut back if we did add to the reserves.

Mr. **Hamilton**. Has their objection been the principal reason we have not gone ahead with filling it?

Mr. **Moose**. It certainly has been an important factor. An additional factor is that throughout 1979, the oil market was very tight, it didn't seem to us to be the appropriate time to start on this.

Mr. **Hamilton**. Have they commented to us now that the Energy Security Act has been signed?

Mr. **Twinam**. They are aware it has been signed; there is no specific comment.

I think it is important to remember that the important issue with the Saudis was filling our SPR in the context of their increased production; the question was one of timing of whether we would be making additional purchases. At a time when they had temporarily increased production to ease the market. It is largely a question of timing.

Mr. **Hamilton**. Now that we have resolved that question, we are going to go ahead, right?

Mr. **Twinam**. Right.

Mr. **Hamilton**. 100,000 barrels a day, is that what we are doing?

Mr. **Moose**. Yes, or more. I believe that is a minimum, 100,000.

Mr. **Hamilton**. We have no indication at this time that because we are doing that the Saudis are going to cut back their production level, is that correct?

Mr. **Twinam**. None whatsoever.

Mr. **Moose**. It also depends on how we may do it. I think as the first option we will tend to use domestic oil for filling the reserve, which may be beneficial, rather than imported oil.

ASSESSMENT OF OPEC

Mr. **Hamilton**. We have a quotation here from the British Energy Secretary David Howell, who said recently, and I quote him:

"I believe we should recognize OPEC as a positive and stabilizing force in world oil markets and work with it in this spirit."

Do we agree with that assessment of OPEC?

Mr. MOOSE. I am not sure we would be quite that charitable, thought I think one can vastly overestimate the power of OPEC, it has never been able to really control the oil market. The strict economic definition of a cartel is somebody who sets price by production controls. They have never been able to achieve a set of production controls. Even their ability to control prices is rather limited.

I think one can get overly excited about how important OPEC is as a group. Still I would not go as far as to call it——

Mr. HAMILTON. Call it a positive stabilizing force?

Mr. MOOSE. Yes. It may be stable, but positive, no. I would characterize it as a cooperative arrangement among a group of producers to try to raise prices.

Mr. TWINAM. I think one aspect there is really how effective OPEC is. If OPEC is going to be, and has been for the last year, one which can set floor prices but can't control the price on the top, then it is not a very constructive force. I think that is what the Saudi effort to unify prices is all about, to make for more order in the market.

Mr. BINGHAM. Would you yield?

Mr. HAMILTON. Yes, indeed, Mr. Bingham.

REASONS FOR OIL PRICE INCREASES

Mr. BINGHAM. Just along those lines, what proportion of the enormous increases following 1973, 1974 that you showed us before in the last year and a half, what proportion of those increases would you say are attributable to the operations and activities of OPEC and what to other market forces?

Mr. MOOSE. Could I deal with 1978–79?

I think a fairly small proportion was actually attributable to OPEC in 1979. It seems to me you had two fundamental forces going against you.

The first one was that actually in the first quarter you had a shortage, you had a rundown of inventories which was much larger than seasonal because you lost Iranian production and there had not yet been a cutback in demand. For the year as a whole, you had a very large inventory build-up, sort of a hoarding phenomenon. I think these two were probably the main factors behind the sharp rise in prices.

OPEC as a whole was never able to agree on prices throughout 1979. The Saudis were lagging behind and the others would escalate their prices and get more or less whatever they wanted to. I do not think OPEC as a group was a very important factor in the surge in prices that we had in 1979.

Mr. BINGHAM. What about in 1973–74, in that period?

Mr. MOOSE. Well, my recollection of that period is somewhat vaguer but you had—I think it was more cohesive at that time. You had a Saudi cutback in the first quarter of 1974 during the embargo period. They actually cut back production somewhat. They also embargoed us.

You did have, I believe, going into December 1973 a somewhat cohesive effort by the Arabs and Iranians to jack up prices. I think OPEC was more important at that time that it was in 1979.

Mr. TWINAM. I think that is a fair characterization. The real force behind the price increase 1973–74 was not OPEC as such but the Arab oil ministers and the embargo. OPEC did move, including Iran, to take advantage of the price effect of that.

Where I think we see the——

Mr. BINGHAM. Wait. How did that work, because the embargo presumably would have added to the supplies available to those who were not being embargoed?

Mr. TWINAM. No; there was a production cut, the Saudis and others cut production, in rough proportion.

Mr. BINGHAM. Below what was left of the market after the people who were supposedly not being supplied?

Mr. TWINAM. That is right. Somewhat below the amount of the embargo.

I think where we see the harmful effect of OPEC more is perhaps in a period of temporary surplus in the market when OPEC has the power to, on the part of certain producers, reduce production, to firm up the floor price at the time when the pressures are for price drops.

Mr. BINGHAM. Thank you.

LINKAGE BETWEEN ACCESS TO OIL AND SETTLEMENT OF ARAB-ISRAELI CONFLICT

Mr. HAMILTON. The question you address on page 6 of your statement, Mr. Twinam, concerning the relationship between maintaining access to Persian Gulf oil and movement on a comprehensive settlement of the Arab-Israeli conflict, your language suggests to me that you see a direct linkage between those two events.

You say, for example, "Among the monarchies there is a growing tendency to use a carrot approach by suggesting more favorable consideration in oil supply in return for greater political support for the Palestinian cause. We cannot rule out that this trend will intensify over time if the Arab producers become increasingly disillusioned with the rate of progress toward Middle East peace." To my mind at least, that spells out a linkage.

It is your judgment that further progress toward a Middle East settlement is essential for maintaining adequate access to Middle East oil?

Mr. TWINAM. If one assumes that there will be a severe deterioration in the situation in the Middle East in the absence of progress, then I think the experience of 1973 alone would suggest to us that we have to be deeply concerned about it.

Mr. HAMILTON. What if you have a situation like you do now, where no substantial progress is being made, at least on the West Bank problem? Some modest progress has perhaps been made, but at the moment the parties are not talking to each other; there doesn't seem to be any prospect in the near term of a breakthrough. Suppose that continues on for 6 months? You are in a difficult period. You have the American elections coming up. Nobody, I think, expects dramatic progress. Suppose you go the balance of the year without any further progress? What is that going to do to our oil supply?

Mr. TWINAM. I think we create real problems if key producers, Saudi Arabia and others, lose faith in our determination to move the peace process. They can understand certain delays and understand the difficulties.

Mr. HAMILTON. Do they understand the delay for 6 months, say, from now?

Mr. TWINAM. A good number of spokesman in the Arab world have suggested there would be not much progress in the remainder of this year. We are determined to make what progress we can.

Mr. HAMILTON. Your judgment is, even, if we do not make progress on the West Bank in the next 6 months, it would not affect our oil supply. Is that your best judgment?

Mr. TWINAM. That is a very difficult prediction to make.

I am trying to look at some of the recent factors. Certain of the Arab producers, I guess it was at the April meeting in Tripoli of the Steadfastness Front called for use of the oil weapon against the United States and other countries.

This was referred to the Arab economic and foreign ministers meeting, which will be taking place next week in Amman. We don't know what could come out of that. According to the Washington Post this morning, both the Iraqi and Kuwaiti representatives at the United Nations referred in some way to the oil weapon in the debate on the Security Council resolution. That went on yesterday and the day before. So that the calls for a punitive use of oil continue. One has to be concerned about them.

Mr. HAMILTON. I am trying to get your best judgment.

Mr. TWINAM. My best judgment is that for the remainder of this year that if we are convincing in our determination to make all practical progress in the peace process, that key producers will not be moved to use the oil weapon in a punitive way.

Now, what I tried to suggest in my testimony is that all the while, though, there is a carrot approach in the use of oil to build support for Arab causes with governments and societies.

Mr. HAMILTON. Let me ask you this: Suppose we had a Middle East settlement, would we still then have problems with the oil exporting countries on price and supply?

Mr. TWINAM. I think we would, Mr. Chairman, but I think we would—for instance, if you will note in my testimony, there are a number of countries, producers in the area, with whom we have either very poor relations or limited relations, and have not had much influence. In the case of Middle East peace, I think that situation would change, we would have better dialog.

Mr. HAMILTON. You gentlemen are going to get a break today because the room is going to be turned over to another group at 4:15. I have dozens of questions. I will submit some questions to you for answers in writing.[1]

Before adjourning, without objection, we will enter into the record a chart describing U.S. petroleum consumption and imports and a chart showing Middle East and North Africa oil exports to the United States, Western Europe and Japan in 1979.

[The information referred to follows:]

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[1] See app. 6, p. 445.

UNITED STATES: PETROLEUM CONSUMPTION, 1979

	Million barrels per day	Percent of total
Total	18.4	100
estic supply[1]	10.5	57
t oil imports[2]	7.9	43
Of which:		
Persian Gulf countries	2.4	13
Saudi Arabia	1.4	8
Iran	.4	2
United Arab Emirates	.3	2
Nigeria	1.1	6
Venezuela	.9	5
Libya	.8	4
Algeria	.6	3
Canada	.5	3
Mexico	.4	2
Indonesia	.4	2

[1] Includes processing gain of 500,000 bbl/day.

[2] Crude oil and refined products with products traced to source of crude.

MIDDLE EAST AND NORTH AFRICA: OIL EXPORTS 1979

	Percent of total				
	United States	Western Europe	Japan	Other	Total
udi Arabia	16	40	21	23	100
aq	3	51	8	38	100
ran[1]	18	21	37	24	100
uwait	1	45	27	31	100
United Arab Emirates	18	41	28	13	100
ibya	40	53	Negligible	7	100
geria	53	38	Negligible	9	100

[1] Reflects situation before suspension of oil imports by United States on Nov. 12, 1979.

Mr. HAMILTON. The subcommittee stands adjourned.

[Whereupon, at 4:18 p.m., the subcommittee adjourned.]

U.S. INTERESTS IN, AND POLICIES TOWARD, THE PERSIAN GULF, 1980

MONDAY, JULY 28, 1980

House of Representatives,
Committee on Foreign Affairs,
Subcommittee on Europe and the Middle East,
Washington, D.C.

The subcommittee met at 2 p.m., in room H-236, the Capitol, Hon. Lee H. Hamilton (chairman of the subcommittee) presiding.

Mr. Hamilton. The meeting of the subcommittee will come to order.

Today, the Subcommittee on Europe and the Middle East continues its hearings on the Persian Gulf and U.S. policies toward this important region in the wake of recent developments in Iran and in Afghanistan.

Today's hearing is the fifth in this series and will be followed in September by a hearing at which the Department of State will testify on U.S. policy toward the region.

We are fortunate to have with us this afternoon Ambassador Hermann Eilts. Ambassador Eilts recently retired, after more than 30 years of service, from the Foreign Service as a career minister. He served with distinction as U.S. Ambassador to Saudi Arabia from 1965 to 1970 and as Ambassador to Egypt from 1973 to 1979.

Mr. Ambassador, we welcome you back to Capitol Hill.

You have a prepared statement which will be entered into the record in full.

You may proceed as you wish to summarize that statement before we turn to questions.

STATEMENT OF HON. HERMANN FR. EILTS, PROFESSOR OF INTERNATIONAL RELATIONS AND RESEARCH PROFESSOR OF HISTORY AND POLITICAL SCIENCE, BOSTON UNIVERSITY, AND FORMER U.S. AMBASSADOR TO SAUDI ARABIA AND EGYPT

Mr. Eilts. My primary comments are those included in the statement, but I would like to summarize very briefly. I would like to focus on what, in my judgment at least, are our major problems and issues with respect to the Persian Gulf.

The importance of the region is, of course, obvious. That is one of the reasons why you are holding these hearings.

The region is a complex one. It is affected by a good many diverse, separate, discrete matters. In my analysis I divide the problems of the Persian Gulf into two general categories.

EXTERNALLY STIMULATED PROBLEMS

The first are those which one might call externally stimulated; external, that is, to the region.

The second category are those which are endemic to the region itself. In the first category, I would include two major problems. The first is perhaps the one that in the past year has received the most notice in the media and elsewhere, although I find in my own travels through the area that it is not the issue of primary concern to the leaders, most of the leaders, I should say, not all of them, nor to the peoples of the gulf.

I have in mind, the Soviet threat to the area. The Soviet invasion of Afghanistan has certainly caused considerable concern. It has resulted in two Islamic foreign ministers' meetings, both of which condemned the Soviet action.

So far as I have been able to tell, sir, the condemnation is more a moral condemnation than it is a condemnation growing from a fear of an immediate threat to the gulf area.

Nevertheless, it is undoubtedly an important consideration because the President of the United States, in a statement to the Congress earlier this year, the so-called Carter doctrine, indicated the vital nature of the Persian Gulf to the United States.

EFFECT OF THE UNRESOLVED ARAB-ISRAELI PROBLEM

The second, external to the Persian Gulf region itself, but part of the area problem, is the negative effect that the unresolved Arab-Israeli problem has had on the gulf area.

The Camp David Accords were certainly seminal in what they did with respect to Egypt and Israel, but one has got to admit in all candor that they have had negative effects on the leaders and the peoples of the gulf.

We face, as is so often the case in foreign affairs, perceptional disparities. On the part of the United States, when the Camp David Accords were concluded, it was believed that we were indeed making a significant step forward, not only with respect to Egypt and Israel, but also to moving forward the problem of peace, an overall peace in the Middle East, a comprehensive peace.

That, regrettably, is not the perception of most of the leaders of the gulf. The Saudi leadership, for example, which has been a close friend of the United States has condemned the Camp David Accords. There are obvious reasons for this situation. I wish to flag this particular aspect as troublesome for United States policy in the gulf.

The problems endemic to the region itself, conceptually, I divide into two. One set of problems applies, if you will, on an East-West basis, in the gulf. The second is a set of problems that has to do with the relationship between and among the Arab States of the gulf itself.

ARAB-IRANIAN RELATIONS

Taking the first of these for a moment, they in my judgment, Mr. Chairman, can be divided into two general categories. The first is the Arab-Iranian. The problem is a vintage one and has been with us for a millennium or more, a factor of two ethnic, linguistic groups that are different and have different perceptions of each other.

The Iranians, in my experience with them over the years, have nstantly looked down on their Arab neighbors. In the period of the ah, in particular, they tended to see sloth and inefficiency and ted very often along such perceptional lines. That created very deep sentment on the part of the Arabs.

I recall so well, sir, a little over 10 years ago when in an effort to y to bring together the Iranians and in this particular case, the audis, at that time the principal Arab element in the gulf, the nited States, made a major effort to arrange for the Shah to visit ing Faisal.

The first effort that we made on that occasion, it was late 1968, rned out to be abortive, largely because of a gulf issue, specifically e question of ownership of Bahrain. At that time, although Bahrain as a British protected state, the Iranian Government still looked pon Bahrain as the 14th province of Iran.

In 1969, that claim was given up, at least by the Shah, but at the oment there are some indications at least of a tendency on the part f some of the Ayatollah's Iranian regime to want to revive the claim o Bahrain. With this, of course, comes a very deep concern on the art of all of the Arab littoral states about any such move.

President Bani Sadr, when he was asked about it not so long ago, ave a curiously equivocal answer, which could be read to suggest hat what Iran had done was no more than to grant autonomy ot independence, to Bahrain.

IRAQ-IRAN RELATIONS

The problem is even more acute in an Arab-Iranian sense on the Iraq-Iranian border. These two states have long had conflict over the Shatt-al-Arab and related conflicts over the border between the two.

That border was presumably resolved, thanks to a kind of forced Algerian mediation in 1975, but it was clear even then and has become clearer now that the Government of Iraq, the Ba'ath government of Iraq, has simply not accepted the outcome of the mediation. It wants to go back to some of the earlier arrangements that existed.

In addition, Iraq has posed in recent times as the champion of the Arab cause, and is once again doing its utmost to foment subversion in Khuzistan, called Arabistan, by the Arabs.

While Iraq tends to be the country that is strongest and most vociferous in making this particular case, it is only fair to say that I have yet to run across an Arab leader in the gulf or elsewhere in the Arab world who does not have a sense that the Iranian Government, be it the Shah's government or the present government of the Ayatollah Khomeini, has been unfair, and has discriminated against the Arabs.

This problem has reached a point where there are frequent clashes. The possibility of war is indeed there, although I personally believe that neither side will allow it to go quite that far.

CONFLICT BETWEEN SUNNI AND SHI'I ISLAM

That is one of the two East-West problems. The other has to do with religion, an old conflict between Sunni and Shi'i Islam. The success of the Ayatollah Khomeini was regarded by many followers not only as a success of Islam, but as a vindication of Shi'i Islam. In that sense, we are witnessing a kind of sectarian conflict, which is something to which we have not normally been accustomed. We have not been involved in it and should not be involved in it, but we should be fully aware of it.

The Ayatollah Khomeini's success in Iran has had two effects on the Islamic world. They are related but also somewhat contradictory. The first is that it has given encouragement to Muslims everywhere, be they Shi'i or Sunni.

It is an example of an Islamic Revolution that has caused, some suggest, further militancy throughout the Islamic world. I think it has simply reaffirmed to Muslims their religion. It is worth bearing in mind that Muslims the world over have for many years felt a deep sense of inferiority because of their lack of successes in the last several hundred years.

In any case, the Sunni-Shi'i conflict shows itself in various ways. It is part of the Iraq-Iranian issue that I spoke of a moment ago. The Iranian counter to the Iraqi-Arab nationalist ethnic claim is to push the issue of Shi'is in the Arab world. Iraq, having a large Shi'i minority, a minority that has felt discriminated against for many, many years, long preceding the Islamic Revolution in Iran and long before the Ba-ath regime in Iraq.

In any case, the Iranians are seeking to use their Shi'i Muslim assets in Iraq to create the same kind of internal problems in Iraq that Iraq is using the Arab minority of Iran for in trying to create problems for Iran.

These two things are very real, very serious, something that have afflicted the area for a long time, but now in aggravated form.

ARAB BROTHERHOOD

The second category in that problem between and among the Arab States is Arab brotherhood—a term that has been widely used for many, many years by the Arabs themselves. Ironically, one sees very little of real brotherhood between or among them. Most Arab States in the gulf littoral have claims against each other, many of them of long standing; territorial claims, are what I am referring to.

The Iraqi Government, you will recall, in the early 1960's, when Kuwait became independent, was about to, or at least it seemed so at the time, to try to intervene militarily in Kuwait in order to take over the province.

The claim of Iraq is based upon old suzerainty arrangements going back to Ottoman times. At the time it required British, major British military intervention in Kuwait, to prevent any action on the part of Iraq.

I recall very well, sir, that legitimacy was given to the massive 15,000 man British military force that was sent in there, including a carrier off the coast of Kuwait, by the presence of one small Saudi company as a part of the defense mechanism.

It was not the numbers that mattered on this occasion but the participation of an Arab State, however small its military construction might be, that gave legitimacy to the British action. Subsequently, the British pulled out, and an Arab League force was put in. The issue was temporarily resolved.

pages tightly bound

The Kuwaitis hope Iraq has renounced its total irrendentist claim to Kuwait, but they cannot be sure. The Ba'ath government of Iraq has its own imperialist ambitions, and the gulf is an area of deep and constant concern to the Ba'ath.

I should perhaps say at this point that the belief on the part of Iraqis that Kuwait should properly be part of Iran is not a Ba'ath invention. It goes back long before that. In fact, there were those, right after the 1958 coup in Bagdad, who argued that Nuri Pashi, the then Prime Minister who was killed in the coup, might have succeeded if the British had responded to an appeal that he made in late 1957, that Kuwait be returned to Iraq.

It is a long-standing point, the claim to Kuwait on the part of the Iraqis. I think it is something that, while latent at the moment, is a matter that may come up again.

There are some minor territorial problems between Iraq and Kuwait at the moment, which have been under negotiation for the last 2 or 3 years; negotiations having to do with possession of islands. They have been inconclusive to date.

There is no indication that they are likely to be resolved soon, but their unresolved nature does create an element of tension between Kuwait and Iraq.

ROLE OF SAUDI ARABIA

Saudi Arabia, a country that has for many years been the principal Arab State in the gulf, has in the last 2 years, I regret to say, lost at least some of its influence among the Arab States of the gulf. There are a number of reasons for this. One reason is its close connection with the United States.

That connection was helpful so long as the other states of the gulf perceived it as something that would allow Saudi Arabia to have at least some element of influence on American policy with respect to the Arab-Israeli issue. I mentioned earlier some of the negative aspects of Camp David. This was a case in point.

The Camp David accords did hurt Saudi political influence of the gulf. They were read by the other Arab States of the gulf as proof positive that the United States could not be relied upon to produce the kind of an even-handed, fair settlement of the Arab-Israeli issue which most of the gulf leaders wanted.

I think perhaps at this point it might be useful, Mr. Chairman, to emphasize the fact that so far as I have been able to tell, my own association with the leaders of the gulf and the peoples of the gulf, they want peace as much as anybody else, but to them peace involves a solution, or at least steps on the road to a solution, of the Palestinian problem.

The Palestinians, large numbers of expatriate Palestinians, are in the gulf states, anywhere from 10 to 20 percent of the working force, depending upon which gulf state you take. They have undoubtedly done a great deal for the economic development, even the political development, of the several smaller gulf states, but they are unassimilated communities.

They live separately in the main, and there is no desire that I have been able to detect on the part of most of the gulf leaders or peoples to take steps to integrate those people.

Doing so would change the demographic picture of many of the gulf states. It would also so far as the leaders are concerned, produc internal tensions. Hence they have not been particularly happy about any permanent Palestinian resettlement in the gulf.

They are perfectly prepared to give hospitality to the Palestinians for as long as necessary, but to give nationality to them, that is a different matter, and none of them have been willing to do so.

In any case, the Saudi influence in the gulf in the last year and a half has gone down somewhat. I don't mean to suggest that the Saudi influence is completely gone. At the moment, however, they are a little less certain about their influence in the area.

IRAQ AND ARAB NATIONAL CHARTER

The most dramatic instance of this occurred earlier this year, just a few weeks after President Carter issued the so-called Carter doctrine statement. At that time the Ba'ath government of Iraq, in the person of President Saddam Husain, issued what he called a new Arab National Charter. I, at least, Mr. Chairman, attach more weight to that particular document than some do.

The statement, the new Arab National Charter, called upon the states of the gulf to do a number of things; one, not to become involved in any way in alliances with outside states; two, closely related to that, not to provide any military bases or military facilities to any outside states; and, three, to take steps to ostracize or even boycott any area state, and by area, gulf state was meant, that might violate these precepts; in other words, that might provide military facilities to the United States or any other outside power, although we were obviously the target of this new Arab National Charter.

The fact that the Iraqi leadership should have done this came as n surprise, but what I think was interesting here, and which I think many have tended to overlook, was the almost head-over-hee response that was given by so many of the smaller gulf states, even the lower gulf states, and I include Bahrain among those that have traditionally followed the Saudi lead. They were among the first, within a matter of days publicly to subscribe to this new Iraqi-Arab Charter.

OMAN

The one state, of course, that did not was Oman. Oman was already involved in negotiations with the United States for facilities i Masirah Island. Those negotiations seemed to be going along reasonably well, but I was interested in the fact only 6 weeks ago the Sultan of Oman, Qabus, felt it desirable to try to make his peace with the Ba'ath government of Iraq by sending his foreign minister to, as h put it, explain what had taken place.

The Omanis claimed that there were no bases offered. The Omani have been rather cagy on how they have described the facilities that have been offered. Clearly, Sultan Qabus, Sultan of Oman, hope thereby to propitiate the Iraqi authorities, but was not very successful. The Iraqi media has continued to attack Oman.

The Iraqis, if they were to do again what they did in the past, at the time of the Dhufar Rebellion when they assisted materially and with military equipment the insurgents, could create considerable problems for Oman.

In other words, it seems to me, Mr. Chairman, what we are witnessing in the gulf in an inter-Arab context is a bid, a long mooted and now finally materializing bid for primary political influence in the gulf region between the new power Iraq and Saudi Arabia.

IRAQ

Iraq has certain assets. It has oil wells. It is in the happy position of having a land, people, water ratio that is favorable to it; it has the strongest military force well equipped, apart from Egypt, in the area, and it has the ideology of Ba'athism. The gulf is one of the primary areas of concern to it.

The Saudis have not liked this. The Saudis have tried to do what they can to counter it, they are very aware that in a sense this is a challenge to their leadership, they are also very aware of the fact that the Iraqis are making the most of the Saudi connection with the United States in order to further their own ambitions, but in the absence of further movement on the Arab-Israeli situation, there isn't a great deal that they can do about it.

One could go on, Mr. Chairman, and cite other inter-Arab problems along the lower gulf states, but at this point it might be wise for me to stop and turn it over to you, Mr. Chairman, for any questions that you or other members might have.

[Mr. Eilts prepared statement follows:]

PREPARED STATEMENT OF HERMANN FR. EILTS, UNIVERSITY PROFESSORS PROGRAM, BOSTON UNIVERSITY

Persian Gulf Security Considerations

The Persian Gulf has become a focus of global attention. For an industrialized world, including the United States, the Gulf littoral states are the major source of petroleum. Their vast petroleum reserves, and increasing Western and Japanese requirments for petroleum, make the Gulf likely to remain so until the end of the century at least. Dwindling Soviet petroleum reserves and increasing difficulty encountered by the Soviets in providing petroleum supplies from indigenous sources to their European satellites also raise the possibility of an increasing Soviet interest in the Gulf area by the second half of this decade. At present, Soviet access to Gulf crude is limited to their exploitation right accorded them by Iraq in the North Rumalia oil fields.

In the past decade, traditional Gulf security props have largely disappeared. The once preeminent British position, which offered a type of security against external forces even for those Gulf states not directly under British political sway, came to an end with the withdrawal of British forces from the Gulf in 1971. It required the United States, which had prior to that time been generally content to accept British preeminence except in those littoral states where we had a special interest, namely Saudi Arabia and Iran, to search for a substitute security structure. It also, incidentally, required the United States to formulate a positive and formalized policy toward the Gulf. Iran, under the Shah, was the security surrogate developed by the Nixon administration. The Shah's political ambitions, and his willingness to assume a security role in the Gulf as a whole, if provided with the military wherewithal to do so, fitted into Nixon Doctrine concepts. In the 1970's, until the collapse of the Shah's regime in 1978, a kind of *Pax Irani* pertained in the Gulf. It was on occasion heavyhanded and hardly pleasing to many of the Arab littoral states; yet, while it lasted, it was reasonably effective. With the demise of the Pahlavi regime, and its replacement by the Islamic Revolution of Ayatollah Khomeini and his *mullahs*, a kind of power vacuum has developed in the Gulf. Among other things, this has exacerbated long standing intra-state problems in the Gulf, i.e, the Iraqi/Iranian dispute, and has given rise to fears of possible Soviet intervention in the Gulf.

The Soviet invasion of Afghanistan has, in the minds of the Administration, added credence to the putative Soviet threat to the Gulf area. It resulted in the articulation of the so-called "Carter Doctrine" stipulating the Persian Gulf as an area of vital interest to the United States, one which this country would fight to preserve in the face of a foreign (read Soviet) military intervention. To date, the Soviets have had their hands full in Afghanistan and there is no hard evidence that I am aware of to suggest that their tentacles are actively reaching out for the Gulf. Nor, it should be said, do any of the Gulf states themselves feel imminently threatened by the Soviets. Saudi Arabia, the single Gulf state that has been most adamantly anti-Soviet in the past, retains its concern over a Soviet threat, but so far as I have been able to tell, it sees this more in the context of neighboring Soviet surrogates such as the PDRY and Ethiopia than from direct Soviet intervention. Nevertheless, given historical Soviet interest in moving toward the Gulf, their actions need be carefully watched. It strikes me that it makes eminent good sense to warn them - now - of the seriousness with which we would view their military intrusion into the Gulf.

Apart from the Soviets, one other major external threat to Persian Gulf stability exists. It is the unresolved Arab/Israeli issue. Contrary to the belief of some that the Persian Gulf states can be or are somehow isolated from the Arab/Israeli problem, they are politically, economically and emotionally involved in it. Except for Iran, they are Arab states, they think as Arabs, they support Arab issues, they fund Arab (including Palestinian) causes and they share the general Arab desire for a just and a durable settlement. Additionally, virtually all of them host large numbers of Palestinian expatriates. Although these Palestinians are employed, and have in the main contributed materially to the development of the Gulf states, they remain disenfranchised and unassimilated. Despite linguistic and cultural affinities, the Palestinian communities in the Arab Gulf states are separate and parallel to the indigenous inhabitants. To most of the Gulf states, a solution of the Arab/Israeli problem is seen as a satisfactory resolution of the Palestinian problem, including especially the Palestinian diaspora. Viewed in this context, the Camp David accords were a serious blow to Gulf leaders' hopes, one which the accompanying rhetoric of a step on the road toward a comprehensive peace hardly assuaged. However great the Camp David accords were in opening the door to an Egyptian/Israeli peace, an accomplishment which should not be belittled, there is no gainsaying the fact that they (and especially the "Framework for Peace in the Middle East") had a negative fallout in the Gulf because (a) they were perceived as having achieved the Israeli objective of dividing the Arab camp, (b) West Bank/Gaza autonomy, as described in the "Framework for Peace in the Middle East" document, was seen as a sham, and (c) the Palestinian diaspora problem, the important element of greatest concern to Gulf leaders, remained unresolved. Two Arab states friendly to the United States, notably Saudi Arabia and Jordan, rejected the Camp David agreements and drifted toward the Iraqi rejectionist camp. The smaller Arab Gulf states, which normally take their cue from Saudi Arabia, quickly followed suit. Thus, we should candidly recognize that notwithstanding the indisputable seminal achievement of Camp David in Egyptian/Israeli terms, it has further polarized the Arab world as a whole and has created a new lack of confidence in United States fairness and intentions. Concomitantly, with the American reaction to the Soviet invasion of Afghanistan and articulation of the Carter Doctrine, concern has been created among the Arab Gulf states that Washington is seeking to exaggerate the Soviet threat in order to detract from the importance of unresolved aspects of the Arab/Israeli issue. Unless and until the Soviets are closer at hand than they are now, any such American action is unacceptable to Gulf states.

In my judgment, if we are to solicit the cooperation of the Gulf littoral states to meet the possible Soviet threat, it is essential that a new climate of political confidence in United States intentions vis-a-vis the Arab/Israeli problem, be reestablished. This means more active American participation in the Middle East peace process and, in my view, the presentation at an appropriate time of a comprehensive peace proposal, one which offers real hope for the Palestinians as well as insures the essential security for Israel. Even in the eyes of would-be friends of the United States, such as Saudi Arabia, the West Bank/Gaza autonomy negotiations to date have confirmed all of their negative suspicions. They offer little hope of achieving legitimate "Palestinian rights," the meaning of which has never been defined by any of the participants, and are likely to keep the diaspora Palestinians where they are now. Those who argue for permanent resettlement of the Palestinians in present host countries overlook the fact that such resettlement and presumably enfranchisement will alter the demographic, political and sociological structures of most of the smaller Gulf states. Modernists may contend that this would be a good thing and it has something to be said for it. We might ponder, however, whether it is in the United States' long term interest to have an enfranchised, assertive by virtue of the intelligence of its members and embittered anti-American Palestinian community permanently resettled in the economically and strategically important Gulf littoral states.

As indicated above, the power vacuum that has developed in the Gulf has rekindled regional ethnic and sectarian disputes. Two such disputes threaten the fragile stability of the Gulf area: the Arab/Iranian dispute and the Sunni/Shi'i controversy. Both are vintage conflicts, which have off and on plagued the area for centuries. While they overlap in their respective thrusts, they work at different levels.

Iranians, conscious of their long history, have traditionally looked with a measure of contempt upon their Arab neighbors, even though they borrowed Islam from them. Most Gulf Arabs have resented the heavyhandedness of the Shahs of Iran, and especially that of the Pahlavi family, and have looked upon Shi'i Iranians as religious heretics. Perceived Iranian persecution of the Arab minority in Khuzistan has aroused not only Iraqis, but also even if in a more muted sense, other Gulf Arabs. Iranian seizure of the Tumbs Islands and Abu Musa in 1971, though allegedly done with the approval of the rulers of Sharja and Ras al-Khaima, was resented by Arab leaders in the Gulf, including by the late King Faisal, who had two years earlier, mainly as a result of United States efforts, come to a limited rapprochement with the Shah. Iraq resented the Shah's efforts to fuel its Kurdish rebellion and even more so the persistent Iranian pressure to alter its Shatt al-Arab boundary.

Although a nominal settlement of these issues was reached in 1973, through Algerian mediation, Iraqi bitterness about its powerful neighbor's actions persisted. The present internal weakness of Iran, including the virtual castration of the Iranian military structure in the wake of the Ayatollah Khomeini's Islamic Revolution, has been seized upon by the Ba'ath regime in Baghdad to press Arab ethnic/nationalist claims in Khuzistan, the Tumbs and Abu Musa. Iran, even though weakened, has responded by seeking to arouse the sizeable Iraqi Shi'i minority, which even in pre-Ba'athi days charged discrimination. An undeclared state of belligerency currently exists between Iraq and Iran, complete with sabotage, border skirmishes, assassinations and executions of alleged "traitors" on each side. This could, unless both exercise care, break out into more extensive hostilities. Iraq, the strongest Arab state in the Gulf militarily speaking, is at present actively carrying the banner of Arab nationalist aspirations in the Gulf and Iran is one of its targets.

On the sectarian level, the Iranian Islamic Revolution has been publicly proclaimed by Khomeini to be exportable. Tehran is using Shi'ism as a counter to Iraqi ethnic nationalist pressures and to cause embarrassment for other neighboring Gulf Arab states, especially Saudi Arabia. The Iranian Islamic Revolution has had two effects in the world of Islam. On the one hand, its success has encouraged grassroots Muslim militancy everywhere regardless of sect. This is a factor which Muslim, and especially Arab, governments must now reckon with. On a governmental level, while most Sunni leaders may seek to maintain correct relations with a new regime in Tehran, the Iranian Islamic Revolution's Shi'i Jafari provenance has made it suspect in Sunni leaders' eyes. Khomeini makes no bones about the fact that the Iranian Islamic Revolution is not only a triumph of Islam, but even more so represents a vindication of the correctness of Shi'i doctrine. Iranian radio broadcasts have incited the small Shi'i community of Saudi Arabia, resident primarily (but not exclusively) in the oil producing eastern province, to revolt and at least two significant public Shi'i demonstrations have taken place in the Qatif region. The Saudi government is seeking to work out a new modus vivendi with its Sh'i minority. In Bahrain, to which the Shah renounced the Iranian claim as recently as 1969 and which still has a Shi'i majority, even if governed by a Sunni princely house, a number of Iranian mullahs have in recent months reasserted the Iranian claim to that island. Shi'i demonstrations have taken place in Bahrain. President Bani Sadr, whose authority is in any case questionable, has when asked about the status of Iran's claim to Bahrain, taken an equivocal position. The renewed Iranian claim to Bahrain, whether official or not, has worried nearby Saudi Arabia, whose concern with Bahrain's independence is natural. The Bahrain archipelago is but twenty miles off the coast of the oil producing Eastern Province. There is again talk of building the long mooted causeway between Saudi Arabia and Bahrain, obviously to tie Bahrain closer to the Arab side of the Gulf.

Gulf leaders wonder whether, when and if Iran once again settles down with an ordered government, it may seek to reassert Iranian preeminence in the Gulf. With the 500 miles of Iranian shoreline on the Gulf, it would be natural if this happened. Whether an Iran dominated by _mullahs_ would act responsibly in the Gulf is uncertain, but experience to date raises serious questions on that score.

Still another factor affecting Gulf stability in a power vacuum situation are intra-Arab disputes. Thus, for example, Iraq has long had an irridentist claim against Kuwait based on Ottoman administrative arrangements. Though this comprehensive claim has been latent in recent years, protracted inconclusive negotiations have for the past two years taken place between Iraq and Kuwait for islands belonging to the latter. Iraq, by virtue of its military strength, its economic resources and its pan-Arab Ba'athi ideology, views the Gulf as an area in which it should have preeminence. Arab brotherhood protestations aside, it for many years has contested with Saudi Arabia for such a role. The lower

Gulf principalities have in the past generally inclined towards Saudi Arabia's position. The Saudi drift toward Iraq in the wake of the Camp David accords and the Egyptian/Israeli peace treaty, have also prompted these lower Gulf principalities to seek to make peace with Iraq.

In response to the Carter Doctrine, Iraqi President Saddam Hussain immediately articulated what he called a new Arab National Charter and called for Arab adherence to it. Among other things, the new Arab National Charter would commit Arab states not to give military facilities to foreign states, avoid involvement in political and military disputes between and among themselves and ostracize and boycott any Arab state transgressing these precepts. Zionism was again declared to be the enemy of all and to be combated by all possible means. Noteworthy was the fact that virtually all of the smaller Arab Gulf states, except Oman, seemed to jump over themselves in announcing their adherence to the new Charter. They did so in part because of their own preference that the Gulf be neutralized and be a nuclear-free area, but also in recognition of Iraq's growing influence in the region. The new Arab National Charter was also clearly intended to be a warning to Saudi Arabia not to permit American military facilities in its territory and was an effort to upstage Saudi Arabia in the Gulf area. In addition, it was aimed at Oman, which had since Camp David and the Egyptian/Israeli peace treaty, been the odd man out, had supported the Treaty and had expressed a willingness to provide the United States with military facilities on Masirah Island.

With the insurgency in Dhufar province successfully resolved, at least for the moment, and with seeming Iraqi displeasure with the PDRY and the

Soviet Union, the ruler of Oman, Sultan Qabus, felt able to proceed with negotiating with the United States for military facilities on Masirah. He has since also sought to placate the Iraqis by sending his Foreign Minister to Baghdad in order to explain Oman's position. The effort proved unsuccessful and Iraqi Government controlled media are castigating Oman for having once again broken Arab ranks, this time by providing military facilities to the United States. Oman, despite surface appearances of tranquillity, has its own internal problems. Iraq could, if it wished to do so, create internal problems for Sultan Qabus and may yet do so.

Iraqi relations with the Soviet Union are currently strained. This is a positive development, but it should be seen in proper perspective. It does not, in my judgment, signal an Iraqi willingness to resume diplomatic relations with the United States. The Ba'athi regime in Baghdad continues to excoriate United States policy toward the Arab/Israeli problem, a second political issue of primary concern to that government. While apolitical American economic activity in Iraq may indeed be most welcome, as the Ba'ath government pragmatically seeks to improve the nation's economic structure, it is, in my view, unlikely that in the near future a real political rapprochement will take place between the United States and Iraq. On the one hand, whatever the strains between Iraq and the Soviet Union, Baghdad is confident that it can "manage" the Soviets; on the other, Baghdad has no confidence in the United States attitudes toward the Arab/Israeli problem. This will necessarily sharply limit any prospects of United States/Iraqi cooperation.

Saudi Arabia remains an important factor in the Gulf, though its influence has regrettably been somewhat diminished because of its perceived close relationship with the United States. Nevertheless, the Saudi government retains the confidence of most of the smaller Gulf principalities. Apart from Kuwait, which is a law unto itself, they would again like to follow the Saudi lead. If Saudi Arabia could point to any American produced positive development in the Arab/Israeli issue, one that offers reasonable hope for the Palestinians, they would once again fall into line. The lower Gulf rulers are aware that the continuation of their own princely regimes depends in large part upon the continued existence of the Saudi monarchy in its present form.

Through the 52 mile wide Straits of Hormuz passes all of the tanker traffic from the Gulf. By virtue of its overall narrowness and the fact that ingoing and outgoing navigational channels are even narrower, it constitutes a potential chokepoint. Hence, it is essential to the West that the Straits remain open. From a sovereignty point of view, the Straits are part of the overlapping Iranian and Omani territorial waters. Since the collapse of the Pahlavi dynasty, Oman has spoken of strengthening its military and naval capability to protect freedom of passage through the Straits. Islamic Iran, however, retains its claim, is concerned about Omani flirtations with the United States and recently conducted Iranian naval maneuvers, attended by President Bani Sadr himself, in the Straits area in order to underscore Iran's continuing claim.

The articulation of the Carter Doctrine has raised the question of a United States capability to protect militarily its interests in the ersian Gulf area. While an adequate rotational base for this purpose s well as equipment shortages may indeed currently exist, these can be resumably corrected over a period of years and with adequate investment of funds. A United States naval task force, complete with a Marine landing force, is positioned in the Indian Ocean in order to demonstrate the seriousness of the American determination to counter the Soviets. While perhaps largely symbolic at present, and more suitable for brushfire conflicts than confronting the Soviet threat, it has helped to bolster some of our friends in the area who had begun to wonder about the American resolve.

A renewed quest for bases or military facilities in the area has also begun. Area reactions to this quest were predictable; they reflect the desire of most of the Gulf states to stay out of superpower competition. No state within the Gulf itself, including Saudi Arabia, has been willing to agree to American military facilities. They clearly prefer that any American military capability be "across the horizon," despite the logistical problems this poses for us. Oman has indicated willingness to make Masirah Island facilities available for forward positioning of supplies. It has done so despite Iraqi and other criticisms, but in the last six months with the silent acquiescence of Saudi Arabia. Facilities are also being sought in Berbera, Somalia, and Mombasa, Kenya. Questions have been raised about the need for military facilities in Berbera because of the danger of United States involvement in the Ethiopian/Somalia Ogaden dispute. In my judgment, the needs of the American military should in this instance be overriding, although hard evidence should be insisted upon that a genuine military requirement exists for Berbera. President Sadat has also made available military facilities in Egypt in order to strengthen the United States capability to operate in the Persian Gulf and Indian Ocean, should a requirement develop to do so. It should be emphasized that all of these are military facilities and not American bases in the post-World War II sense of the term. From a political point of view, the distinction is important.

There is an anomaly about the United States position toward the Persian Gulf. On the one hand, through the Carter Doctrine, we are seeking to counter a possible Soviet threat to the area; on the other, on a lower level, we are competing with Islamic Iran for influence in the Gulf. Some months ago, Ghotbzadeh visited Kuwait, Bahrain and the lower Gulf states on what was termed a "good will" mission. Among other things, the Iranian Foreign Minister pressed the rulers of those states not to cooperate with the United States in the Gulf, urged lower petroleum production levels and warned that in the event of conflict in the upper parts of the Gulf, Iran would see to it that all states in the area suffered. This was a potent warning. Despite Iran's present weakness, it is still a factor that the smaller Arab principalities in the Gulf must reckon with.

Our major immediate problem in the Gulf is the hostage issue with Iran. The President, in my judgment, deserves credit for his patient efforts to try to negotiate the issue. That these efforts fell through was the result of the chaotic condition of what passes for a central government in Iran, a situation that regrettably still exists. There is no quick fix for the hostage issue. Military rescue missions of the Tabas type offer little promise. However difficult it may be, we should continue the negotiating track and exercise patience. I do not believe that the Iranian students want to hurt the hostages, though we should continue to take appropriate occasions to warn them that, should this happen, strong and immediate retribution will result. For much of the past eight months, they have believed there is political advantage to holding them. If there is any positive sign on the horizon, it seems to me that it is the apparent reduction of Iranian public interest in the holding of the hostages. Hopefully this will continue and eventually facilitate negotiating the safe release of the hostages. Presumably even the mullah-ridden majless of Iran will have to take such a factor into account.

For a variety of reasons, among them the collapse of the Pahlavi regime, the Soviet invasion of Afghanistan, the negative fallout of Camp David, etc., American credibility in the Gulf is at a low point. Given the importance of the Gulf, I repeat, it is essential that we strive to develop a new climate of confidence with Gulf states through a more purposeful diplomacy than has been the case in recent years. While American foreign policy cannot be based solely upon the views of the Gulf principalities, these do deserve seriously to be weighed if security and economic cooperation with Gulf states is to continue in the future. More than anything else, in my view, meaningful progress in the Arab/Israeli issue is the key to continued Gulf states' economic and security cooperation in the years ahead.

Mr. Hamilton. We thank you, Mr. Ambassador, for your comments as well as your statement.

IMPLICATIONS OF SHAH'S DEATH

The Shah is dead. What are the implications of that, if any?

Mr. Eilts. In terms of the hostages, Mr. Chairman, I don't think for the immediate future that the implications are very great. In a sense perhaps for a brief period of time, it may make the the problem more difficult to solve. The issue of the Shah had for the past few months figured prominently in Iranian pronouncements. Now, once again, the issue of the Shah has reemerged as the militants argue, as I read their statements, that the Shah's death will not have anything to do with the hostages' release.

As a matter of fact, I suspect they are saying this in part because they may be worried that some Iranian leaders might like to use it for an early hostage release, but so long as the flag of the Shah, dead or alive, is waved, it is going to make it more difficult.

I still feel, Mr. Chairman, that our primary problem in connection with the hostages is not so much the Shah, and it has not been that in my judgment for the last 3 or 4 months, but the lack of an organized governmental structure in Iran.

Until and unless Iran has such a structure, for better or for worse, there remains the problem of whom do you deal with? Nevertheless, I cannot help but feel that in longer range terms, the disappearance of the Shah from the scene could be helpful, but I don't think so in the immediate future.

CARTER DOCTRINE

Mr. Hamilton. On page 3 of your statement, you say at the top of the page, that it makes "good sense" to you to warn the Soviets about any intrusion on their part in the gulf.

Do I understand that to be an endorsement of, or support for, the so-called Carter doctrine? What is your assessment of the Carter doctrine?

Mr. Eilts. I have no real problem with the Carter doctrine, but I suppose my view on that is based less upon military considerations and more on political considerations.

I am no expert on our capability, the capability of the United States to deploy one, two or more battalions quickly. That is something that I take the military's word for, more or less. To me, the significance of the Carter doctrine is that the United States, after a long period of silence and seeming acquiesence in Soviet activities in Africa and elsewhere, has finally stated that it is prepared to draw the line.

I said earlier that most of the states of the gulf, leaders of the gulf, and whom I have spoken, are not that concerned about the Soviet threat.

I stand by that. Nevertheless, I believe that all of them, even though they may not publicly say so, welcome a strong statement on the part of the United States. They clearly don't want the Persian Gulf to be the scene of a slugfest between the two powers, but to the extent that the articulation of the Carter doctrine has any deterrent effect upon the Soviets, and I think most of the gulf states do believe that it does have some deterrent effect, it is helpful.

PERCEPTION OF SOVIET THREAT

Mr. **Hamilton.** I noticed your comment on the difference in perception of the Soviet threat by ourselves and by the gulf states. You say that the gulf states do not feel imminently threatened by the Soviets. We feel, I presume, that the oilfields are imminently threatened by the Soviets. It is very curious to most of us that the countries close at hand are less worried than the superpower a long ways away.

How do you explain that and do they just misperceive, in your judgment, the danger of the Soviet threat, or do we overemphasize it? We are going to end up spending an awful lot of money in response to the Soviet invasion of Afghanistan when you total it all up. Military spending, the grain embargo, and all the rest. We are launched on a multibillion-dollar effort because of what has happened there.

Mr. **Eilts.** Mr. Chairman, in my judgment there are a number of things at work. One is a sense of fatalism on the part of most of the leaders and peoples of the gulf. They may be substituting the wish for the thought. Nevertheless, it is real with them. They do not regard the Soviet threat as imminent despite Afghanistan.

For that matter, I think it is worth bearing in mind that we have had a Soviet Embassy in Kuwait. That Embassy in its early days was particularly active up and down the gulf. It has become less active in the last 4 or 5 years, largely because the gulf states have themselves sought to regulate its activities.

Now, that should not give anyone who looks seriously at the Soviet threat to the gulf a great deal of solace but, nevertheless, to the states of the gulf, it suggests an ability to manage the Soviets and here, I think, the Iraqi case is particularly pertinent.

The Iraqis have, after all, taken military assistance in large amounts from the Soviets for many, many years, and have oil arrangements with the Soviets. To be sure, there have recently been strains between the Iraqi Government and the Soviets, but what I think is most important here is that the Iraqi leadership believes it can manage the Soviets. That is also the view of the Kuwaitis, always in the context of the fatalism to which I referred to earlier have also come to believe.

The Saudis who are perhaps the people who have traditionally held the deepest sense of distrust toward the Soviets, tend to see the problem not so much, insofar as I have been able to tell over the many years I have been associated with them, in terms of a direct Soviet threat but in terms of a surrogate Communist threat.

I was very interested in January of this year when visiting Saudi Arabia and speaking with some of its top leadership to find that—this was after Afghanistan—they were not talking about the Soviets per se. They were talking about the Communist threat, Soviet-inspired to be sure, but a Communist threat, surrogate in the forms of the People's Democratic Republic, of Yemen and Ethiopia.

I think there is more of a feeling that the Soviets, if they are going to act in the area, will seek to do so through surrogates, and that that is something that must be watched.

I don't think any of the leaders of the gulf states, even the Saudis and the Iraqis, think they could meet a formal Soviet military action.

Mr. HAMILTON. They have no fear of the Soviets charging down from the north?

Mr. EILTS. No.

Mr. HAMILTON. Well, we do; don't we?

Mr. EILTS. I am not in government any longer, but I get the impression that there are those in this Government who have that view.

Mr. HAMILTON. Well, it is a very curious difference in perception to me.

Mr. Findley?

Mr. FINDLEY. First of all, my thanks to you for your good service in Saudi Arabia and Egypt most recently.

Mr. EILTS. Thank you, sir.

Mr. FINDLEY. I wish you were still there, but I take it you are active on a good many fronts, so that our Government has some advantage of your knowledge and experience.

THREAT TO SEALANES

In your travels in the gulf states, do you sense that there is concern that the Soviets, either directly or through surrogates, might cause trouble in the principal sealanes, possibly by interrupting shipping?

Mr. EILTS. Sir, the only place where I have encountered that, the only two places are in Saudi Arabia and with Oman, not in Kuwait, not in Bahrain, not in the Emirates. That does not mean that there are not those who have this concern, but it has not been expressed there.

In the case of Saudi Arabia, the highest level leadership never raised the point with me, but at the minister of petroleum level, yes, a sense that perhaps a tanker or two could somehow be sunk in the Strait of Hormuz and could block the strait.

In the case of Oman, because of the Omanis' own territorial waters, there was much thinking along those lines. Although I confess that I have never been entirely sure in my mind how much this is a genuine concern on the part of the Omanis and how much it represents a recognition of the fact that this is an artery that is regarded as strategically important by the West, and that therefore articulation of concern about its security might be a way of inducing the United States to provide assistance.

But, whichever it is, I have had it expressed to me. I think in that connection, sir, one other point is worth noting, that is, that on the various issues that we are facing, among them our problem with Iran, we are in a sense competing with Iran for influence in the gulf itself, and I mention that because of the strait.

You may recall, sir, not so long ago, 3, 4 weeks ago, perhaps 5 now, the Iranians deployed their Navy, such as it is, and conducted naval maneuvers in the Strait of Hormuz area. These were attended by President Bani Sadr.

It seemed to me it might be in one sense a bit of bravado, having in mind the United States and others, but I think there was a more deliberate purpose to it. The Iranians were reminding the Omanis, as Ghotbzadeh had earlier reminded the states in the northern part of the gulf, that Iran was still a factor to be reckoned with in the gulf. If things went wrong, that is, if there were conflicts between the United

States and Iran, and the other gulf states were to help, Iran would see to it that the others suffered as well in the strait and in the northern areas of the gulf.

CAMP DAVID PEACE PROCESS

Mr. **Findley.** Mr. Ambassador, you paint a rather gloomy picture of U.S. influence in that region. American credibility in the gulf is at a low point. You call upon the United States to provide a new initiative toward a comprehensive settlement. You use the term, "an appropriate time."

If you were calling the shots for the United States, what would be the first step you would recommend to move things down the proper path?

Mr. **Eilts.** Sir, in another article that I have written, I have suggested that the spirit of Camp David is tarnished and needs burnishing. I feel rather strongly about that.

I do not think that Camp David should be jettisoned. Camp David did too much to create an Israeli-Egyptian peace. In the gulf area, as I said before, it has had a negative effect. I think we must work in the context of the Camp David general framework doctrine. That means in the context, for the moment at least, of the autonomy negotiations.

The negotiations to date between Israel and Egypt on the West Bank, Gaza autonomy, which is one aspect of the Palestinian problem, have clearly not made a great deal of headway. The Israeli position, from its point of view, is perfectly understandable. So is the Egyptian point of view.

It is going to be up to us sooner or later to do what we had to do before, after 4 years of agonizing effort, and that is to produce a proposal of our own on what autonomy ought to be. Not a proposal to be imposed, no, but a proposal that the parties themselves should be given a chance to gnaw on, because they themselves are clearly unable to arrive at any settlement.

Such a proposal, in my judgment, should go beyond what Mr. Begin has presented thus far; that is, a concept limiting autonomy to the people rather than to land, but to an autonomy arrangement that should go beyond people and that should include, at least on a shared basis, land and water as well.

The options for the future, that is what happens after the 5-year transitional period envisioned in the Camp David general framework document, should be left open. In other words, we should seek to encourage the creation of a self-governing body that has genuine broad power and responsibilities, even if some of them are shared.

I would accept the need for that, but that there must be a real suggestion that there is a future for the people of the West Bank and Gaza, such a proposal, I would hope, although I am enough of a realist to recognize that it is an outside chance, that might even find some attractions for the diaspora Palestinians.

That, in my judgment, should be the first step. It cannot be done in an American election year, but I would hope next year we can do something of that sort.

Eventually, it is going to be necessary to look for ways and means of broadening the negotiations, whether it be under the label of Camp

David or under something else—a graduated Camp David—so that there are others, other area participants, and, I would hope, other outside guarantors for settlement.

Now, that is speaking generally, but it is the best I can do in these circumstances, since I am not involved in the negotiations.

TALKS WITH PLO

Mr. Findley. Out of your experience in Egypt and elsewhere during the Sinai II Accords and events that followed, do you see any legal barrier to direct U.S. informal talks with the PLO?

Mr. Eilts. The only barrier that I see, sir, is the commitment, the memorandum of understanding, given by Secretary Kissinger at the time of Sinai II.

Mr. Findley. Is that a barrier?

Mr. Eilts. I think it is, because it does represent a commitment on the part of the United States to Israel, and I do not think that it should be ignored. I believe, sir, that it is not an insurmountable barrier.

After all, as I recall it, the obligation was to consult with Israel before we undertook informal talks with the PLO. The present administration, for reasons which are understandable and I certainly don't criticize, has chosen to be a very strict constructionist about that obligation.

Certainly, the actions of the PLO leadership itself have not been particularly helpful in making the administration willing to look at it in a more loose constructionist sense. I think it is essential in the broader process that I was outlining in general terms a few moments ago that the PLO leadership's acquiesence be obtained.

Lord knows, after Camp David, the United States tried—the Israelis tried, Egypt tried—to persuade the West Bank and Gaza indigenous habitants to participate, as was envisioned in Camp David.

None of them liked Camp David. A few reluctantly said: This is a terrible agreement, but we ought not to miss the boat. We ought to try it. Unfortunately, they were not able to do so. PLO coercive measures were successful with the Imam Khazandar in Gaza and with Rashid Shawwa, the mayor of Gaza, who for a short time seemed to be showing some interest. He very quickly lost interest when Khazandar was assassinated.

I cannot get away from the feeling that whether one likes it or not, if one is going to get Palestinian participation, one has got to work out something with the PLO. Just how to do it, I don't know.

As I said a moment ago, I don't think the PLO leadership has been particularly helpful and maybe it will continue not to be so. In that case, one may end up with no more than an Egyptian-Israeli agreement on autonomy, which may or may or may not be implemented. How much participation on the part of the Palestinians will be obtained for that kind of arrangement I don't know. I have this uneasy feeling, however, that you can't really move ahead unless you find some way of getting Palestinian participation. Up to now, at least, no key has been found to get that other than through the PLO.

Mr. Hamilton. Mr. Winn.

Mr. **Winn.** Thank you, Mr. Chairman.

Mr. Ambassador, I, too, want to thank you for your good service to the United States.

Mr. **Eilts.** Thank you, sir.

INTERNAL INSTABILITY IN GULF STATES

Mr. **Winn.** You mentioned the inter-Arab disputes and the regional ethnic problems as a factor affecting the gulf stability. However, you do not mention the internal instability in the gulf states arising from the uneven social, economic, and political developments.

How immediate and how real is that type of threat to gulf stability?

Mr. **Eilts.** Well, in the case of Iraq, there is always a potential for it because of the peculiar ethnic and sectarian makeup of Iraq: Sunni and Shi'i Arabs. This is not new. It existed at the time of my first association with Iraq and long before that.

The strong, even brutal, Qaddafi regime in Libya has, at least thus far, been able to handle internal differences. I think the Iraqis, whether they be Ba'athis or royalists or whatever, have always shown a willingness to use force in order to keep problems of internal instability manageable.

Now, clearly in 1958, it did not work in Iraq, but the Iraqi leadership which followed used the same rules as their predecessors, but even more strongly so.

In Kuwait, there are problems. The Kuwait National Assembly, as you know, was dissolved some years ago. It is not yet meeting again. There is constant tension between the ruling family and those elements that believe there should be greater participation in government.

But that has not thus far been a significant threat to the stability of Kuwait. Then we get to Saudi Arabia, a country that, I suppose, is on all of our minds, and especially after the Mecca incident last year.

I must say, sir, in my own investigations of the Mecca incident after it happened in Saudi Arabia, I have come to the conclusion that the type of conservatism, orthodox Islamic conservatism, that was represented by the Mahdists, those who seized the Mecca mosque, is not widely shared.

As a matter of fact, those elements in Saudi Arabia who have traditionally been regarded as elements that might contest for more authority or influence, elements that might create certain instability because of lack of participation in government, did not welcome the Mecca incident.

The people I am referring to are largely the Western-trained and in many cases Egyptian-trained bureaucrats and technocrats who are well paid, but who would like greater responsibility, and who, by virtue of their education, believe that they ought to have it.

THE MILITARY

The other element, of course, that one always thinks about is the military, not because its members are intellectually elite, but because they have a power potential by virtue of their professional training and equipment.

I remember many years ago, in the sixties, raising the subject of new arms with the then Saudi Minister of Defense—he is still in that position—and saying to him, this was shortly after the Yemen coup, "Why are you doing this? Perhaps one of these days the same kind of thing might be done here as was done in Sana."

Well, he said, I am paraphrasing, these were not his words but this was the thrust of his comment:

> I am damned if I do and I am damned if I don't. It's a sector of society that we must reckon with, it is important to us.
>
> How do you handle it? You do not win the loyalty of the military by making it appear second class compared to military organizations in the area. Therefore, it is incumbent upon me to provide the military with equipment, give them a sense of pride, provide them with perquisites and the three cantonments that have been built.

They were built, incidentally far away from Mecca, Medina or Riyadh. He ended up by saying it is a gamble, but—

> I believe that I am right in what I am doing, that by handling the military this way they will continue to support us.

POTENTIAL POLITICAL DEVELOPMENTS IN SAUDI ARABIA

I found, sir, in January of this year, after the Mecca incident, in talks with technocrats, bureaucrats, even military men, that while some of them were still a bit disgruntled, wanted more responsibility (some wanted more equipment), no one—at least no one to whom I spoke—and I spoke to a lot of— long-time friends and acquaintances—no one endorsed the values represented by the Mahdists.

As a matter of fact, I was interested to note that there was almost a sense of relief that this had happened, a sense that now we will see as a result of this an open, greater liberalization.

This will give Prince Fahd, who has for many, many years been regarded by Saudis as a political liberal, and I use that term in a relative Middle Eastern sense, the opportunity to do some of the things that he has spoken about, create an organic law, consultative assembly, provincial assemblies, and so forth.

One had the feeling that the Mecca incident had created almost a new consensus between the Saudi family and the technocrats, bureaucrats, and military in shaping a new, more liberal Saudi structure.

Is that enough? One doesn't know. But for Saudi Arabia, were this to happen, it would indeed be a great step forward.

Mr. **Winn.** You have talked about the political influences and the religious influences. You haven't touched on the economic influences.

ECONOMIC INFLUENCES ON REGION

Mr. **Eilts.** I think the economic influences, sir, in Saudi Arabia in particular, and it applies elsewhere as well, are probably the principal saving grace to preventing a greater degree of discontent than there is. In Saudi Arabia everybody is in one way or another benefiting from the oil revenues.

One finds it difficult to get Saudis to do manual labor. This is mainly done by expatriates. That does not mean there are not those who would like to have a greater share, or those who argue that so and so is receiving, through indirect means, more than he should. But I ak it is the economic aspect, sir, that is the saving grace that has ot things on a reasonably even keel.

The technocrats are well paid, they are making money, this is ike the situation in Egypt, where so many Government officials l so many college professors and others have to moonlight. It is wned upon in Egypt, but they have to moonlight in order to make a ng.

Not so in Saudi Arabia. They are in Government offices for whatever mber of hours that is necessary and then they are in business, so ey are doing well.

Their discontent, such as it is, is not based upon the imperative of onomic need, just the hope of greater gain.

ATTITUDE OF OTHER STATES IN REGION TO IRANIAN REVOLUTION

Mr. WINN. This is my last question, Mr. Chairman, what is the titude of the people in the gulf region toward the revolution in an? Is their attitude any different today than it was a year ago?

Mr. EILTS. I tried to address myself briefly to that. There are two actions. One is that as Muslims they have a sense of pride, that lam has finally succeeded somewhere.

But the other is that this is a Shi'i movement, and a rigid moveent which has denied some of the personal qualities of life, which a od many people in the gulf have come to enjoy.

There is a fear that if it should spill across, it would have a very riously constraining effect. Clearly, this would affect the Governent more than the people, but it also affects the people who are oing well economically.

Yes, they may appreciate the success of Islam, in this case having pped the knuckles of the United States; no, in the sense that they on't want Abu Dhabi or Kuwait transformed into the kind of rigid lamic economic system such as exists in Tehran today.

In the case of Bahrain, however, there is a problem. Bahrain is in polarized position of having a princely house that is Sumi and a hi'i majority. The Shi'i element is divided between Arab Shi'is and anian Shi'is. There have indeed been problems which are privately ttributed by the Bahrain Government to Iranian instigation.

That is not so much based on economics as it is on religious secarianism which is a sociopolitical factor.

The other point I would make here, sir, which argues the issue in negative sense, is this: As a result of Iranian radio instigation, there ave, in the last 8 months, been two significant demonstrations in atif, in the eastern province of Saudi Arabia, near the oilfields, here the small Saudi Shi'i minority live.

These were rather difficult affairs, I gather, and it was necessary or the National Guard to come in and put them down. The National uard in Saudi Arabia, while it did not do so well in the case of the ecca incident where actual combat was necessary, is a rather effecive police force.

In 1967, when the Saudi Army could not stop the mobs from ttacking the American installation at the then Dharan airfield, it as the National Guard that came in and reminded me a little bit f the Pennsylvania State Police when I was a boy. They used to ome charging into demonstrations with billy clubs.

While it was not a very nice way to do it, it was a very effective way of breaking up mobs. This happened on two occasions in Qatif.

Interestingly enough, however, despite that political sectarian problem with the Saudi Government—and incidentally, the Saudi leadership is trying to work it out—the Shi'i laborers did not seek to take it out on Aramco in the oil installation. I think that is significant.

One doesn't know whether it will last permanently. They—for example the Shi'is—have drawn a distinction between one set of problems and another set. They were all at work the next day.

Mr. **Winn**. Thank you very much.

Mr. **Hamilton**. Mrs. Fenwick.

Mrs. **Fenwick**. Thank you, Mr. Chairman.

PLO AND ARABS

In speaking about the PLO, is it really unreasonable to expect that before one starts negotiations with people who claim to be representatives of others that they would recognize the right of Israel to exist?

Mr. **Eilts**. No; I don't think that is unreasonable at all.

Mrs. **Fenwick**. And they simply won't.

Mr. **Eilts**. Here we come back to the Kissinger memorandum of understanding. The basic point in that undertaking was consultation. But, nevertheless, one of the qualifications was the need to recognize the right of Israel to exist. I think that is absolutely necessary.

I recall in the late summer of 1977, when then Secretary Vance went out to the area, as a result of U.S. urging, the Egyptians and the Saudis pressed the PLO leadership to accept a formula, a very simple formula, accepting Resolution 242, with the qualification about the political inadequacy of the refugee language and, recognizing the right of Israel to exist. The Saudis and the Egyptians working together did that.

Arafat accepted it but said, I have to present it to the PLO Executive Committee: He lost in an executive committee vote, as we were told, by 12 to 4.

Mrs. **Fenwick**. Is that on account of Libya's insistence that he should not do it, and his fear that he won't get financed if he does?

Mr. **Eilts**. At the time, no. At the time the reason for his failure was the Syrian Government, which was unhappy about Sinai II, and did not cooperate very well in the efforts of the Carter administration to reconvene Geneva. The Syrian Government used its influence with its friends in the PLO movement, the Saiqah, the independents and the rejectionists were bound to vote against it; the Syrians said, hold out for more. The experience was salutary for Arafat. He is not likely to try again unless he has something stronger in his hand than he had then.

I still think that at some point, before the PLO can be brought into a dialog, one has to get some sort of statement from it along those lines.

WHAT UNITED STATES SHOULD DO IN REGION

Mrs. **Fenwick**. What would you suggest, Mr. Ambassador? It seems to me almost hopeless. Anybody who is friendly to us immediately loses influence with the others. Bahrain is prepared, apparently, to send aid to the enemies of Oman, according to what you said.

Mr. **Eilts**. No; I didn't mean to suggest Bahrain; it is Iraq. If I said Bahrain, I misspoke.

Mrs. **Fenwick**. What would you suggest we could do? Should we do nothing? Should we pretend to have no interest, to allow them somehow to begin to understand that without some interest on our part they may be in danger? Or what would you suggest?

Mr. **Eilts**. As I recall, over the years we have many times when in a similar state of frustration to that in which we find ourselves today, thought of disengaging from the problem and allowing them, the parties themselves, simply to come to a realization, however painful, that they couldn't do without us.

But it never worked. Our interests in the area are simply too great.

Mrs. **Fenwick**. How would you direct or evidence our interests?

Mr. **Eilts**. I believe that what is escential is that we focus to a greater extent than we have upon the resolution of the Palestinian problem. I don't mean that is something that can be solved overnight. It will take years to do.

But there is a sense on the part of so many that we have been shadow boxing with the problem for too long, and I think a greater recognition on our part is necessary that is an essential aspect of the problem.

EGYPT

Mrs. **Fenwick**. You talked to us about Egypt. There is so much I would like to hear. I am afraid my 5 minutes has expired, Mr. Ambassador.

Mr. **Hamilton**. Proceed.

Mrs. **Fenwick**. What are we doing there? I was dismayed to read in one of Christopher Wren's articles that we have some 5,000 people there. They are not all government people, but add up to that one way and another.

Isn't it unfortunate to have so many people there? Wouldn't it be better if we gave them a plan and let them work it out with their people? Are we wise in having this presence?

Mr. **Eilts**. I have been concerned about the American profile for many years. When I left my Embassy in Egypt last year I spoke to the press about what I felt was important; that in the years ahead we keep at least the official American profile at a reasonable level. I did so for two reasons.

One, because I do feel strongly about it. I would not like to see Egypt develop along the same lines as the Americans interface with Egypt as happened in Iran. But there was another reason.

I felt at the time—and I suspect from what I hear that it is still true—that too many U.S. Government departments, which for years didn't care a bit about Egypt, suddently find Egypt glamorous, and now feel they must have a program in Egypt.

Mrs. **Fenwick**. Yes.

Mr. **Eilts**. The day I gave the interview, I have to confess to you, I did so because an Under Secretary of the Department of Labor, who was coming through, said, I know you are leaving and, therefore, we don't care what your views are; but we are going to set up a program here. And what was that program going to be? It was to be a ship on the river, cruising up and down the Nile, teaching vocational training at the different places along the Nile.

Vocational training is great, but we already had vocational training in our AID agreements and things were going very slowly.

To run a showboat up and down the Nile, as somebody said, was just a bit more than was necessary.

I am torn. I have a real sense that the more official Americans one has at a foreign locale—also private Americans—though private Americans are more manageable—the greater the profile; the greater is the sense of the Egyptians, or whatever host country, that the United States is taking over.

On the other hand, we do have such a broad multiplicity of programs—in the last year and a half, military programs have been added—that people are needed to run them. It was always my hope that one could draw from the sizable reservoir of educated Egyptians, be they military or civilian, to assume a greater responsibility for such programs.

But I also admit that it did not work out well for a number of reasons. One, some of the best professional Egyptians have gone to Saudi Arabia, the gulf states and Libya, where they are earning much higher wages. Egyptians have a deep sense of homeland, but many do not feel they can come home and work with the level of salaries that were being offered. Their technical skills were needed, but they had to support their families.

The second reason was that there is such a sizable bureaucracy in Egypt that is constantly bickering with itself. As a result it is sometimes difficult to get decisions.

Related to that, a trait that is not unique to Egypt but that exists in much of the Middle East, is that the word substitutes for the deed.

If you are going to get something done, you have to have people who will put their hands as well as their minds to it. Up to now, there have not been very many willing to do the former.

In connection with training, I hoped we could send more Egyptians to this country. That is expensive. When one is looking at AID dollars, which you very generously have appropriated over the years, one really is looking for the most economical ways of utilizing them.

But I do believe that the official U.S. profile should not be raised much more. The military types who are now in Egypt, so long as they are there, raise the profile enormously. Hopefully, however, in 3 or 4 months, once the training on the F–4's has been completed, they will leave in large numbers.

The other thing I would suggest is that, wherever possible, when large numbers of Americans, especially military, have to be brought in, they be kept out of uniform, and placed in areas that are not too close to the civilian centers of the country. I am talking about temporary duty people.

But it is unquestionably a problem. How do you move ahead on the program if you don't have the personnel?

TOPPING OFF SALARIES

Mrs. Fenwick. How would it be if some of the aid we gave were devoted to proper salaries to really good Egyptians encouraging them to stay there to administer the program?

Mr. Eilts. Topping off salaries?

Mrs. Fenwick. Yes. In other words, rather than bringing expensive mericans. Some say it costs $80,000, but everybody seems to admit t costs $100,000 per American with transportation and family rrangements.

It would seem to me far more constructive and better from the point f view of the Egyptians themselves if there were some supplement, or Egyptians so, they wouldn't go to Saudi Arabia or another place.

Mr. Eilts. Yes. I am a littled concerned that the degree of topping ff that would be necessary would be so great that it would create erious social disparities within the country.

I am reminded that for years we ran a very unobtrusive and unramatic but, in my judgment, a very effective people-to-people cientific research program.

The Egyptians have some superb scientific researchers. Through rograms that were funded through HEW, HUD, et cetera, when we ad excess Egyptian currency, researchers were given money, from uch excess currency to do these jobs.

Two things happened. One, it was discovered after a period of ime that the researchers were sometimes garnering for themselves a lozen or more projects, each of which had a remuneration attached o it.

Two, related to that, their resulting net earning put them out of he general range of other Egyptian professional colleagues. This reated serious resentment, not only against them but against us as vell.

Unfortunately, the salary levels in Egypt are so low that you can't op off very much. You would first have to bring up the general level f salaries before you could consider it as we have done for a time in re-Qadhafi Libya and a couple of other places.

Mrs. Fenwick. Not feasible?

Mr. Eilts. Not at the moment, I don't think.

Mr. Hamilton. Mr. Solarz.

Mr. Solarz. Thank you, Mr. Ambassador. It is good to see you gain.

I found that now that you are out of the State Department you said lmost the same things that you did when you were in. Either you vere completely honest then or you are pulling your punches now.

Mr. Eilts. Don't you think I might have been right then?

Mr. Solarz. Whatever it may be, it is really good to have you back nd to have the benefit of your thinking about these questions.

RESOLUTION OF DISPUTE BETWEEN ARABS AND ISRAEL

Let me ask you, first of all, in what specific ways do you think it vould be possible for us to more effectively enlist the cooperation of he Arab countries in terms of containing the Soviet threat in the egion if we were able to bring about resolution of the dispute between srael and the Arabs?

According to the conventional wisdom, which I think you more or ess ascribed to today, resolving the Palestinian problem would trengthen our capacity to secure the cooperation of the Arab countries. In what specific ways would we be able to get them to do things which they are presumably not willing to do today?

Mr. Eilts. In the first instance, let's look at it in the framework of the Arab/Israel problem.

For years we had hoped that we would have the assistance not only of Egypt but also of Saudi Arabia and of Jordan and in a more distant sense Morocco. Numbers here are important, given the history of the problem.

Since Camp David we have found ourselves in a situation where those states are not willing to cooperate with us. Saudi Arabia believes it has stuck its neck out too far; King Hussein, for a number of reasons, one of which is that he is not about to stick his neck out and be the man who negotiates territorial concessions.

I think part of this is a perception on the part of these Arab friends that Camp David demonstrated that we are not sincere in wanting the kind of a Palestinian settlement which they believe is necessary.

Some Arab States do want an independent Palestinian state, there are others who are not that strong on it, who would be perfectly happy if the area went back to Jordan, and the Palestinian problem were once again made into an Arab problem or more specifically, a Jordanian problem.

But Camp David, notwithstanding our avowal that it was the cornerstone for a comprehensive peace, and matters connected with Camp David—for example, the collapse of the protracted settlements freeze that took place the day after signing, Mr. Begin's statements about what he had in mind, the negotiations—all of these have persuaded them that we are not really thinking of the kind of settlement that they consider necessary.

More vigorous action on that issue I think would help to reenlist the support of the Saudis and maybe even the Jordanians.

Point two, the Palestinians themselves. There is a deep conviction among most Arabs, including Palestinians to whom I have spoken, that the diaspora dimension of the Palestinian problem is not about to be tackled, that eventually it is a matter of keeping them where they are, that U.N. Resolution 194 or repatriation or compensation precedent to resettlement, is not really any longer something that the U.S. endorses.

We are in a difficult bind here. On the one hand, the Saudis and Jordanians say they will accept anything acceptable to the Palestinians. The Palestinians have come to believe that our purpose is simply to create a type of autonomy which will mean permanent Israeli control of the area and doing nothing on the Palestinian diaspora problem.

The Arab States who want to believe us, such as the Saudis, say, fine, for the sake of discussion we accept what you say you want, but we have not seen anything done by the United States in this last year of negotiations which suggests that what you have told us, that is, that Camp David in fact means what you say it does.

SEEKING SUPPORT FROM STATES IN AREA

Mr. Solarz. I was trying to approach it from a somewhat different perspective in terms of what a resolution of the Israeli/Arab dispute would mean in terms of our capacity to enlist the cooperation of the Arab countries for our own interests.

For example, if you had a resolution of the dispute that was broadly acceptable in the mainstream of the Arab world—leaving aside the specifics of what such a solution were—would this in fact mean that the Jordanians or the Saudis or the other gulf states would provide military facilities to us which they are not willing to provide now?

Would it result in a reduction in the price of oil? Would it result in any other specific or tangible concessions which we would like to have, which we can't get now because of our position in the Israeli/Arab dispute?

Mr. EILTS. Let me first say that I am under no illusion that even if we had the Arab/Israeli problem solved, all of our problems with the area would be handled. Not so. There would be others.

Again one comes down primarily to Saudi Arabia. It would make it a great deal easier for Prince Fahd to argue against his internal or domestic critics on maintaining a high level of oil production and conceivably even increasing it. We have to admit nevertheless, that pressures on the part of conservationists, some of them motivated by political concerns, some by genuine conservation reasons, are strong and are going to become stronger.

But it would make it easier for the Saudi leadership to maintain high levels of oil production.

Related to that, I think it would have an effect upon pricing policy. This would apply at least in the case of Saudi oil. Clearly the Saudis are no longer the master of OPEC, but when their influence with the lower gulf states is reestablished politically in the sense that I previously mentioned—Saudi Arabia, of course has some influence—it would spill over into the lower gulf area as well.

Facilities? Bases? I don't know. I think it is worth bearing in mind that although the Saudis originally objected to the Omani action in making available Masirah, it was Prince Fahd's sense of confidence in President Carter that made it possible to perusade him to drop the Saudi objection.

They would still not have a base or facility in the Arabian peninsula because they know the problem it creates with the Iraqis in the Arab preeminence competition. But they were helpful on that. They could be more helpful.

Facilities within Saudi Arabia itself? I am not sure. The Dharan Air Base experience, as it was called by many, was not a happy one for the Saudis and bases are politically passe.

But ad hoc facilities of the type President Sadat is providing, I would think would be possible.

OMAN

Mr. SOLARZ. Could you give us briefly, Mr. Ambassador, your impression of the situation in Oman and the extent to which the Sultan presides over a relatively stable country. Do you see the potential here for another—in a different way—Iran?

Mr. EILTS. Oh, I really don't think Iran could be replicated in Oman, no more so than it can be replicated elsewhere. That does not mean that you cannot have problems in Oman.

Oman is a country that in a sense is held together, has had greater stability in the last 10 years, because of the enormous difference in approach to development of Sutlan Qabus from that of his father, who was totally unwilling to do anything. He was a kind of Santa Claus figure, without ever carrying the bag of gifts. But how long this will last is uncertain.

Qabus isolates himself. He is not a man of great accessibility. For the moment, economic development is taking place partly as a result of Omani funds, more so as a result of other Arab funds that are going in there.

There are very real problems in Oman. The Dhufar insurgency problem of 15 years ago is for the moment quiescent, but that doesn't mean that it could not arise again in the years ahead. The South Yemenis are no longer supporting the defeated Organization for the Liberation of the Persian Gulf and Oman. But they are again beginning to speak of supporting it.

Remember, the last time it was as much the Iranians who saved the situation as it was the Omanis themselves. Iranians are no longer available to do so. Whether the indigenous forces of the country have the capability to replace them remains to be seen.

I think there are a lot of elements in Oman; social, political, internal and external that have a potential for instability.

One of the problems will arise when Qabus goes, because there is no real succession. His uncle, who is generally regarded as the likely successor, is not sure, I gather, whether he wants it. He was out of the country for so long that no one is sure how much support he will have now that he is in it again. This is a real problem that is going to face us in the future.

PLO AND ISRAEL

Mr. **Solarz.** How do you account for the conflict between the relatively benign assessment of the PLO which one hears all over the Arab world from Arab leaders who will tell you in their view the PLO would be prepared to accept the reality of Israel's existence if it could get a Palestinian state on the West Bank and Gaza and the repeated refusal of the leadership of the PLO to indicate that publicly on the other?

Indeed, as you know, when Fatah met recently, the mainstream of the PLO, it adopted a resolution calling for liquidation of Zionism economically, politically, ideologically and militarily. It is frankly impossible for me to square the statements of the PLO with the private assurances one receives about their good intentions from the people who deal with them.

You have lived in this part of the world for such a long period of time. How do you account for it?

Mr. **Eilts.** I have no easy answer to that but let me give you my view.

For years, the moderate Arab States, including the Saudis and others, have felt the leadership could find no way of getting rid of what Arafat represents at the moment but also that there is enough moderation among Fatah leaders that they would under certain conditions be willing to live and let live.

Two, they base their view upon a resolution at the Rabat Summit Conference in which the PLO leadership, as part of the price for its recognition as the sole spokesman for Palestinians, is supposed to have agreed to accept whatever part of the West Bank might be recovered.

Three, and this is the question that I have had a lot of mental anguish about for a long time, is a belief on their part that the so-called moderates within the PLO within the Fatah leadership, are still strong enough that they can, if they wished, impose their will on the rest of the organization; that, if necessary, the extremists could, I mean the total rejectionists, be forced to accept a Fatah approved settlement or they would be eliminated.

The question arises: Is that judgment of the power of the moderates still justified?

I have heard this from Saudi leaders, Jordanian leaders, Egyptian leaders, others. I know of two instances where the PLO moderates were unable to win the day. The first was the statement that Arafat allegedly was willing to make and on which he lost by a 12 to 4 vote. The Syrians were involved in that particular case and didn't help.

The second took place last fall here in Washington when the New Outlook group had a conference to which 3 PLO leaders and 11 West Bank and Gaza mayors had been invited.

The PLO participants, would-be participants, were not granted visas, therefore, they could not come. There was no visa problem in the case of the mayors, and the PLO moderates urged them to go because here was a forum in which they could say their piece. They were coming until a day or two before.

This was an Israeli organization that was in any case speaking their line, endorsing an independent Palestinian state. It was a congenial kind of atmosphere in which they would have found themselves Two or three days before the meeting was to take place, a small splinter group, rejectionist group, warned them all that if they went, coercive action would be taken against them. And every one of them, because of this threat, decided not to come.

Mrs. Fenwick. What is coercive action, murder?

Mr. Eilts. Presumably; against the mayors or their families or anything of this sort.

PLO POLITICS

That makes one wonder when the so-called moderate Fatah, PLO leadership endorses something, whether a small group of radicals can have the effect of forcing a reversal. It poses a serious question; I accept that.

I think one of the big problems here is the negative influence of the Syrians. So long as the Syrian influence on the PLO leadership is as preeminent as it is now, the PLO leadership, even its moderate elements, has its hands tied.

Mr. Solarz. I have one final question. I had an experience not unlike the one you just described. I remember on one of my trips to Damascus I arranged to have lunch with four Palestinian journalists. When I got there, two had already arrived. It turned out they were both reasonably moderate and they spoke about how if there were a Palestinian state it would live with Israel and Palestinians would abandon their efforts to get rid of Israel.

Then the other two walked in and they turned out to be real hardliners. From that point on the first two didn't say a word. It was like a political aggressor's law with the bad driving out the good.

One had a sense that if, in fact, a Palestinian state ever we created, precisely the same thing might happen. The moderates wh were willing to accept that and to come to terms with reality mig be shouted down and hounded out of existence.

Mr. Eilts. It is a very real possibility that certainly cannot b ignored. All one can say is that it really hasn't been tried as yet. Th Saudi leadership says that if you only give the moderate Palestinia group in the PLO some peg on which to hang an effort to disciplin their rejectionist associates, they still have the capability to do i But you haven't given them any peg. Therefore why should the do so? Who knows?

IMPLICATIONS OF COLLAPSE OF PEACE PROCESS

Mr. Solarz. Finally, if the autonomy negotiations collapse in spit of our best efforts to find the formula which will enable Israel an Egypt to agree, what in your judgment, would be the implication both for Egypt, within the Arab world as a whole, and for the willingness of President Sadat to continue to live up to his obligations unde the terms of the peace treaty with Israel?

Mr. Eilts. A great deal would depend, of course, on why and how the negotiations collapsed. By the way, I have difficulty envisaging a total collapse. I can see suspensions and U.S. efforts being required to get them underway, again, but I really think negotiations in desultory form will go on for some time.

However, let us say they did collapse. I believe that the Egyptians will honor their obligations under the peace treaty. The quality of the relationship will be adversely affected however.

The Israel Ambassador in Cairo complains that he is not invited by Egyptians. But on an official basis, a correct basis rather than a social basis, I am convinced the Egyptian leadership will honor its obligations so long as Israel honors its obligations.

Then we will have to look for ways and means of reviving the peace accords.

I worry a bit that Camp David, the general framework document, has come to be viewed by some of the participants as a straitjacket. I think that is unfortunate if such a view persists. It is a process that was begun. That process should retain flexibility. There should be compromises. Compromises are needed on the part of all parties, the Palestinians included.

The job of the United States, in my judgment, is to do what it did in the past in the Egyptian/Israel negotiations, no matter how long it takes, no matter how difficult the road, to urge conciliation and compromise and, where necessary, to give proposals for that purpose.

Mr. Solarz. Thank you, Mr. Chairman.

Mr. Hamilton. Mr. Gilman.

Mr. Gilman. Thank you, Mr. Chairman.

Ambassador, it is good to see you.

SOLUTION OF PALESTINIAN PROBLEM

There have been two general propositions floating around with regard to the solution of the Palestinian issue. One, to have an independent state and two, to try to work out some sort of federation with Jordan.

We continually hear remarks and expressions of opinion from leaders in many of the Arab States that an independent state would only lead to a weakened situation. It would be an invitation to further hostility. It would be far preferable to work out some sort of confederation rather than to have an independent sovereignty created in this area.

What are your thoughts with regard to that?

Mr. **Eilts**. I know exactly what you are speaking about, sir. I, myself, do not believe that an independent Palestine state would be as great a threat as some suggest. I think this would be manageable because it would be a state wedged between Israel and Jordan, it would be dependent upon others for economic wherewithal, it could be demilitarized or largely so.

It would be under close observation from its neighbors. Should there be the slightest deviation in the direction of mobilization for some hostile activity, I think this would very quickly be jumped upon.

But I am not so sure that that is the primary issue. The primary issue is one needs a settlement that is also acceptable to Israel, that is, from an Israeli point of view. From the point of view of the Israeli Labor Party, there seems to be a willingness to return a large part of the West Bank to Jordan as part of Jordan, a kind of partial pre-1967 situation.

In my own talks with Arab leaders, they have spoken of an independent Palestine state but they have also said, if reversion to Jordan were to take place, in the pre-1967 pattern, so long as the people of the area accept it, it would be acceptable to us as well.

Clearly, something along those lines is more likely to be acceptable to Israel. I think that is the kind of settlement one ought to work toward, because ultimately there are going to be changes in Jordan as well, given the Palestine component of the Jordanian population.

I have no problem with that second solution largely because it is the only kind of solution that Israel can accept. Both parties have to accept some such settlement if it could be worked out.

The problem with autonomy talks is that they do not really, at least not thus far, give very much hope for anything.

JORDAN'S POSITION

Mr. **Gilman**. Taking the solution you prefer, a solution that apparently is amenable to Jordan and to Israel, at least seemingly so, how do you arrive at this situation without bringing Jordan to the table?

Mr. **Eilts**. Jordan hasn't been willing to come to the table because it feels the Camp David framework, the autonomy proposals, do not offer very much possibility of satisfying either the Palestinians or the other Arabs. Therefore, King Hussein feels, and I think rightly so, why should he stick his neck out?

If Labor were to come back in Israel and talk about a division, then its acceptability would depend in part, in my judgment, upon the nature of the division. After all, the position of the United States has always been a return to the 1967 border with minor rectifications. The latter have never really been defined.

In the past when Labor was in office, and such a division proposal was made. it was never accepted by the Arabs. Therefore, one can reasonably ask what makes one believe it would be accepted now? I don't know whether it would be. The only thing I suppose one might say, having been exposed to what in many Arab eyes is far worse than division; namely, the very limited autonomy arrangements proposed by Mr. Begin, there might be a willingness to take another look at a reasonable division.

King Hussein might be willing to take a more positive approach to it than he has in the past. But there is certainly no guarantee of this.

If the division is one that involves major territorial concessions to Israel, then I do not believe the King would risk participation. If it is something that can be reasonably explained in the context of minor rectifications, then, especially if there is compensation—Mr. Peres has spoken of returning part, if not all, of Gaza—if that were to happen, the King might take another view of it.

Mr. **Gilman.** One last question is how do we encourage movement in that direction?

Mr. **Eilts.** Mr. Begin is the Prime Minister. We must work with him and try to make the best autonomy arrangements along the lines that I suggested earlier: self-government limited not just to people but at least on a shared basis to land and water as well, with options for the future left open.

What happens in Israel in 1981 after the elections? If a Labor government comes in, then I suspect the negotiating track will once again change its course, but I don't think there is anything we could or should do to affect change or try to influence this independently.

I think we must work with the Government of Israel and in the meantime be patient and keep on trying.

LEBANON

Mr. **Gilman.** If I have time for one last question, do you have any thoughts on a solution for the Lebanese problem?

Mr. **Eilts.** The Lebanese delight, it seems to me, in committing national self-suicide. This is partly because of the Palestine factor, but it is more than that; it is the Christian-Muslim factor there.

I don't believe myself that there will be a real solution to the Lebanese problem until we are farther along on the road of a Palestinian solution and, as part of that, the present predominant Syrian influence in Lebanon is reduced so that Lebanese can once again sit down, Muslims and Christians alike, and try to work out their problems.

A new national covenant is needed along the lines of the 1943 covenant, but I suspect there would have to be a greater degree of political influence for the now majority Muslim population. You cannot go back simply to the 1943 covenant, but some sort of working arrangements between the two groups is still necessary.

However, that cannot, in my judgment, take place unless and until there is further progress on the Palestinian issue.

Mr. **Gilman.** Thank you, Mr. Chairman.

Mr. **Hamilton.** Mr. Ambassador, we have bells that indicate we will be voting for about a half hour now. I think we will wrap up our session. I would like you to keep your answers relatively brief because we will have to break up in about 5 minutes or so.

AMERICAN PARTICIPATION IN PEACE PROCESS

Do you believe that American participation in the Middle East eace process is necessary and do you think, at the appropriate time, e need to come forward with a comprehensive peace proposal? Vhen is that time? Is it now?

Mr. Eilts. Now, no.

Mr. Hamilton. Would you be thinking about doing it after the merican elections are over?

Mr. Eilts. Right.

Mr. Hamilton. You talk about a more purposeful diplomacy in the rea and you have commented rather extensively about the Arab/ raeli dispute. What should our priorities be in the Gulf as disnguished from the Arab/Israeli dispute?

What kind of things ought we to be doing there?

Mr. Eilts. First of all, apart from the Arab/Israeli dispute, which, f course, suffuses everything, we should continue our work to get the stage problem resolved in Iran so that eventually, with a bit of ck, we can develop a new relationship with Iran down the road a ng way. That of course, is an immediate priority because of the nportance of the hostages.

Second, we have to refurbish our relationships with Saudi Arabia. 'e have to give Saudi Arabia the opportunity to regain the influence at it once had in the Gulf and in the Arab league.

Mr. Hamilton. How do we do that?

Mr. Eilts. One comes back to the Arab/Israeli problem.

Mr. Hamilton. Let's put that aside. What else do you do?

Mr. Eilts. I suppose our continued efforts to be of assistance to em in the military area.

SAUDI ARABIA

Mr. Hamilton. Are the arms sales becoming too dominant in our lations with the Saudis?

Mr. Eilts. They have always been dominant. I do not regard them too dominant.

Mr. Hamilton. Why are they pushing hard on these F-15 sales at e moment?

Mr. Eilts. I don't know the answer to that.

Mr. Hamilton. Is that a really key thing for them? Suppose we rn them down?

Mr. Eilts. It will cause some problems in our relationship but it is mething that I believe we can manage.

Mr. Hamilton. Are you worried about the corruption in the royal mily?

Mr. Eilts. I am worried about corruption all over the world, cluding in this country.

Mr. Hamilton. Do you think it will be a cause of possible instability Saudi Arabia in the near term, within the next few years?

Mr. Eilts. I, myself, don't believe so. I keep hearing stories about rruption as a major factor in destabilizing the country, and unoubtedly it creates tensions and criticisms, but it is something the audis have lived with for a long time. So have other states in the rea. That doesn't mean I condone it.

Mr. Hamilton. Yes. Are we putting too much pressure on Oman undertaking this military relationship and putting a lot of pressure on a fairly weak regime there?

Mr. Eilts. I don't think so.

Mr. Hamilton. In other words, you are satisfied with our policy toward Oman?

Mr. Eilts. I make that point because I believe the Omanis have an even greater interest in developing this relationship, or as great an interest as we do, therefore, I don't think the pressure is so great.

Mr. Hamilton. How about this rather complicated relationship among North Yemen, the United States, and Saudi Arabia. Would you make any specific recommendations there? Should the United States-Saudi relationship control the United States-Yemen relationship?

Mr. Eilts. Not entirely. But when it comes to military assistance, then I would be disposed to give heavy weight to the Saudis. That should not preclude our having a direct bilateral relationship with North Yemen.

Mr. Hamilton. There are many more things I would like to talk with you about, but I think we should conclude. We have had you here for 2 hours and we have the bells.

It is good to see you, and I join my colleagues in wishing you the very best and expressing to you my appreciation for your service to the country.

The subcommittee stands adjourned.

[Whereupon, at 4 p.m., the subcommittee was adjourned.]

U.S. INTERESTS IN, AND POLICIES TOWARD, THE PERSIAN GULF, 1980

WEDNESDAY, SEPTEMBER 3, 1980

House of Representatives,
Committee on Foreign Affairs,
Subcommittee on Europe and the Middle East,
Washington, D.C.

The subcommittee met at 2:25 p.m., in room H-236, the Capitol, Hon. Lee H. Hamilton (chairman of the subcommittee) presiding.

Mr. Hamilton. The meeting of the subcommittee will come to order.

The subcommittee on Europe and the Middle East meets today to conclude its hearings on U.S. interests in and policies toward, the Persian Gulf. This is the sixth hearing we have held on this subject since last spring.

In today's hearing, we want to review with the State Department what specific policies the United States seeks to implement in this region in the wake of recent developments in Iran and the Soviet invasion of Afghanistan.

There can be no doubt that recent destabilizing developments have had a marked impact on the peoples and leaders of the Middle East and Persian Gulf region. Most of the U.S. policies toward the Persian Gulf, especially policies toward Saudi Arabia and the smaller lower gulf states, were formulated in the early 1970's in a considerably different political and strategic environment. The subcommittee has not had a hearing devoted solely to an examination of broad policy issues in this region since 1975.

We are happy to have with us today to discuss these policy matters, Assistant Secretary of State Harold Saunders.

Mr. Saunders, you have a prepared statement which will be entered into the record in full. You may wish to summarize it before we proceed to questions.

STATEMENT OF HON. HAROLD H. SAUNDERS, ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS; ACCOMPANIED BY DANIEL A. O'DONOHUE, DEPUTY DIRECTOR, BUREAU OF POLITICAL AND MILITARY AFFAIRS, AND JOSEPH TWINAM, DEPUTY ASSISTANT SECRETARY, BUREAU OF NEAR EASTERN AND SOUTH ASIAN AFFAIRS

Mr. Saunders. Thank you, Mr. Chairman.

As you noted, you have my formal statement. It outlines U.S. interests in the Arabian Peninsula States of the Persian Gulf as they have been intensified over the last few years; it analyzes the dynamics at work in this area, and it discusses our policy toward this area, how it fits this country's expanding interests and changing circumstances there.

I would like to supplement that written statement with a few remarks here as we open to put our subject into sharper focus.

First, let me say, Mr. Chairman, that I have noted, too, that the last hearing on this subject of a substantial nature was in 1975, so I welcome the opportunity to again focus on the subject. In each of the last 2 years this subcommittee has asked me to present an overview of the main developments in the Middle Eastern and Southwest Asian area and on each of those occasions, I have chosen to concentrate on one major subject.

This year, this hearing is not billed as that annual presentation, however, I would have chosen this subject for this year's presentation because developments in the surrounding region have significantly altered the political-military environment in the gulf and because the importance of the gulf itself justifies our making this area the centerpiece of a significant policy review.

RETHINKING U.S. INTERESTS IN AREA

It has become more than ever the center of a range of global issues that requires precise analysis and the changes of the past 2 years have required all of us to rethink U.S. interests in this region and the policies we should pursue to advance those interests.

Second, let me define the area we are talking about today. I will be speaking today specifically of the region including the Arabian Peninsula States on the Persian Gulf—Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates, and Oman.

This is, of course, not to suggest that these countries comprise the whole area of U.S. interests in Southwest Asia. This definition of the subject is in response to some specific issues I know are on your minds, and it is an effort to focus attention on this more limited area, setting aside for a moment a wide range of larger issues that have received attention in other ways but keeping those larger issues in mind as part of the backdrop for our discussion.

Before turning to your questions, I would like to highlight four main points about this area:

GLOBAL STRATEGIC SIGNIFICANCE

1. This is an area of global strategic significance for two main reasons:

It is close to the Soviet Union and has long been for simple geographic reasons an object of potential Soviet domination. Predominance in the area would give the U.S.S.R. an outlet to warm water and control over territory adjacent to some of its vulnerable Asian areas. The Soviet invasion of Afghanistan has reinforced questions about Soviet long-range intent.

This area is an essential source of oil for the nations of the free world and Soviet control would shift the strategic balance. The independence of this area is thus of critical interest to the United States and its free world friends and allies.

CHANGE IN AREA

2. This has been a decade of significant change in this area and these nations have had to cope simultaneously with the strains of rapid growth, a marked change in their security environment, and major economic responsibilities on the world stage.

The last decade has been one of marked political and economic change in the gulf nations themselves. Nine years ago, when you held the first major hearing on this subject, the British withdrew from the gulf, and there was much concern and uncertainty about the area because of internal, regional, and external pressures which threatened these states. As events evolved, these states have enjoyed a period of relative security and impressive national progress, thanks to their own efforts and a helpful regional environment.

Now in the past 2 years, that regional environment has changed dramatically, and these states, having successfully met the challenges of the seventies, face new ones in the eighties. While their domestic development goes on, developments such as the Iranian revolution, the Soviet invasion of Afghanistan, and Soviet activism in the Horn of Africa and South Yemen, the still unresolved Arab-Israeli conflict, and Iraq's search for a new role in the area have changed the regional political and strategic environment.

While coping with the strains of internal development and a markedly changed security environment, these states have come to play an important role in their own right as independent nations on the global economic stage.

Because these six states of the gulf currently provide almost half of the free world's oil imports, how narrowly or how broadly they define their economic interests in approaching production and pricing decisions on oil is a critical issue in this decade.

With official foreign assets now exceeding $140 billion, these gulf states play a major role in international finance.

On the commercial front, U.S. exports to these six gulf countries now exceed $7 billion a year, representing about one-half of our sales to the Middle East. Our sales to these countries provide employment for some quarter million Americans. Yet, because of our dependence on gulf oil and the rapid increase in oil prices, we ran a $4 billion trade deficit with these countries last year and expect that gap to increase this year.

FACING THE SECURITY THREAT

3. The people of this area have their own view of the security threat they face and this view is not widely understood.

They are as concerned as anyone in the area about potential Soviet efforts to achieve a predominance there which would curb their independence. They recognize that they themselves do not have the capacity to meet that threat militarily, but they do believe that a strong Arab nationalism and vigorous Islamic faith can be important bulwarks against Soviet efforts to move toward predominance in individual states.

But they also see security issues of two other kinds:

They see the opportunity for external aggression or for subversion, either with Soviet support or stemming from regional conflicts. The modernization process itself brings strains to traditional societies.

The large influx of foreign workers, including many Palestinians and other Arabs, so necessary to implement their national development programs, has given most gulf states a work force more foreign than indigenous. The leadership in these countries has shown concern for human development in the use of oil wealth, but they are likely to be faced in the years ahead with continuing internal pressures to assure various elements of society—particularly the unusually large percentage of young people—some 50 percent of the people of this area are under 15—a fair and meaningful role.

Having made progress in establishing government institutions, these states face the challenge of maintaining sensitive contact with their peoples and of developing institutions which will carry their traditional social harmony over into the modern era.

Since the Iranian revolution, the attitude of minority Shii'i communities in many of the gulf societies has been of concern because propaganda from Teheran has urged Shii'i residents to oppose the monarchical gulf regimes and their Western ties.

On a different plane, the governments of the gulf states also consistently assert that the absence of an Arab-Israeli peace is a primary threat to security and stability in the gulf region. They regard the Arab-Israeli conflict as providing a main opportunity for enhanced Soviet influence in the region, as an instrument for revolutionaries and those who would spread radical political influence, and as the primary obstacle to the firm relationship with the United States which their national interests otherwise call for.

INTEREST INTERRELATED

4. Our interests in this area are closely interrelated, have intensified over the past decade, and provide the basis for strong cooperation with these states.

As you said, Mr. Chairman, our policy toward this area was initially formulated in the 1970's, but there has been much evolution.

Our interests are interrelated. They include access to the area's critical resources for ourselves and our allies, freedom of movement in a strategic area close to the Soviet Union, and cooperation with these states in energy, finance, and development, and providing markets for U.S. goods and technology.

Our interests have intensified—first as we have joined the other industrial democracies in dependence upon gulf oil; as these states have come to play a more prominent role in regional and world affairs; and as our commercial and cultural relations have expanded; and—second, as events in surrounding countries have increased concern about Soviet intentions in this sensitive and vital region.

We continue to share many common goals and interests with the states of the gulf: We all want to maintain a global strategic balance which protects their independence.

We all want to achieve a comprehensive Middle East peace.

We all want to maintain orderly energy and financial markets.

We all want to expand economic cooperation.

My main purpose in highlighting these points is to underscore that, in developing our strategy toward the area, we have to take into account two main points.

Because the area is of great strategic importance to the entire world and because the nations in the area count ultimately on the American strategic umbrella for their independence and security, the military strength of the United States iteself must play a significant role in any American strategy toward this area.

At the same time, in developing our strategy toward this area, we have to take into account a view in the gulf of the security threats in that area that does not see the global strategic balance as the only security problem in the area nor a strong U.S. military position as the only response to the threats they face, important as the U.S. security umbrella is.

It is natural that we and the states of the region share a common concern for the security of the gulf. It is also natural that we as separate sovereign nations with differing roles in the world have different approaches to the security problems we see.

RESPONSES TO THREAT

A variety of forces—direct Soviet aggression, Soviet support for local aggression, and regional and internal conflict—could threaten the interests and objectives we share with our friends in the area.

Clearly our response and that of the states of the region would vary according to the threat.

The threat of direct Soviet aggression or subversive pressure requires a complex of political, economic, and military actions, including strengthening our own global military capability and our ability to project effective forces toward this region but also including our continued work with the gulf states, when we have a useful role, to minimize regional tensions.

In the case of threats from within, we recognize that our ability to influence internal events in the gulf states remains limited, as it should be. But we remain willing to aid local governments in an orderly economic and social development which fosters internal strength.

We also have to be sensitive to the fact that the pursuit of each of our interests—security, peace, energy, economic development, financial cooperation, commerce, and cultural relationships—has an impact on the prospects for our other interests. We will continue to seek a balance in our approach to this area which reflects the totality of our interests and the total personality of the gulf states.

Striking the right balance is not easy. But as we and the gulf states face difficult issues in the decade ahead, progress to date gives us a basis for believing that we can move effectively toward building stronger relations in ways which will serve our mutual interests and those of the world community.

One final point: It should be clear to everyone in this country that we cannot be complacent about recent developments affecting this key area. At the same time, I hope it will also be clear that necessary changes in our policy have been developed on the basis of careful consideration of all options available to us and on the basis of sensitivity to the history and unique character of this region.

To take one example: When we speak of a new U.S. security posture in this area, it is important to keep in mind that what is new is not the development of a security posture. This country has been actively concerned with the security of this region since World War II.

Until the early 1970's our approach to this problem took account of the historic British presence in the gulf. After the British withdrawal in 1971 and until just recently, we worked on the realistic premise of close cooperation among the smaller states of the Persian Gulf, Iran, and Saudi Arabia.

Today, some aspects of our earlier aproaches remain valid; others must be adjusted to take into consideration conditions in Iran and neighboring Afghanistan.

So my comments here today are designed to present to you our sense both of the continuity and more permanent elements of U.S. policy toward the region, which would be reflected in the hearings in 1975 and back in 1972, but at the same time, to explain why and how we are making the significant adjustments necessary in response to markedly changed local and regional circumstances today.

[Mr. Saunders' prepared statement follows:]

PREPARED STATEMENT OF HON. HAROLD H. SAUNDERS, ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS

The U.S. Relationship with the Arab Peninsula States on the Persian Gulf

In each of the past two years at this time, I have been asked by this Subcommittee to present an overview of the developments in the Middle East and Southwestern Asia. Although today's hearing is not billed as that presentation, it is appropriate in that context to discuss with the Subcommittee the evolving U.S. relationship with the Arabian Peninsula states on the Persian Gulf -- Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates, and Oman. Developments in the surrounding region and the importance of the Gulf itself warrant our having made this area the centerpiece of a significant policy review.

My purposes in this statement are to:

-- outline our interests in these states as they have intensified in the last several years;

-- present our perception of the dynamics of this area, how it has developed in the past decade and the challenges ahead; and

-- discuss how our policies toward this area fit our expanding interests and the changing circumstances there.

U.S. Interests in The Region

Our interests in the region are longstanding, major and interrelated. They take cognizance of:

-- the area's strategic location and its significance to maintaining a global strategic balance;

-- the significance we place on the sovereignty and independence of these countries as part of a more stable world.

-- the world's vital need for the region's oil; and

-- the importance of these states in international finance and development and as markets for our goods and technology.

In the last decade our interests in the region have changed little in nature, but have grown in importance:

-- We then spoke of the vital flow of Gulf oil to our NATO allies and our friends east of Suez. Now we ourselves have become excessively dependent upon Gulf oil.

-- As the Gulf countries have grown prosperous, they have assumed a much more prominent role in both regional and world affairs.

-- Our commerce with the area has expanded enormously, as has the presence of Americans there.

-- Our cultural relations have greatly increased, including the education in American universities of large numbers of students from the region.

-- Events in surrounding countries have sharply increased concern about Soviet pressure on this sensitive region.

In the last decade, our relationships with these six Gulf states have been solidly developed on a foundation that includes:

-- the strategic importance of the area to the Western world, and the importance the Gulf states attach to our ability to maintain a global strategic balance which discourages outside intervention in the area;

-- the priority these states attach to a just and lasting resolution of the Arab-Israeli conflict, and their recognition that among outside powers the United States is unique in its ability to play an effective role in the search for a comprehensive Middle East peace;

-- a general recognition of the common responsibility of major oil producers and consumers to maintain orderly markets conducive to international economic welfare;

-- an expanding mutual interest in economic cooperation including: the growth of commerce, the transfer of technology for sound economic development of the Gulf states; maintaining international financial order, and facilitating the development of poorer countries; and,

-- the desire of these states for U.S. assistance in developing an appropriate defense capability, and our willingness to join our allies in fulfilling this need.

A Decade of Progress

Eight years ago the Department testified before this Subcommittee on U.S. policy toward the Persian Gulf, following an intensive, prolonged review of US policy toward that region in light of the ending of the United Kingdom's historic protective treaty relationships with the smaller states on the Arab side of the Gulf. Then we looked forward to developing formal relations with three states achieving full independence, while retaining a historic relationship with Oman, and building on well established relations with Saudi Arabia and Kuwait.

But the international community contemplated the British withdrawal from the Gulf with understandable concern:

— Revolutionary ideologies had long attacked the Gulf's ruling order.

— Territorial disputes complicated the quest for regional cooperation.

— Communist supported insurgency in Oman's Dhofar Province demonstrated the destabilizing effect of outside intervention.

— The world wondered if states so small and thinly manned could develop the institutions and national character required to stand on their own in a troubled world.

As it turned out, the smaller states of the Gulf were helped in their progress toward nation building by a relatively tranquil environment. Their larger neighbor, Saudi Arabia, was, and remains, in a period of great national progress. The concept of close cooperation among the Arabian Peninsula states on the Gulf progressed steadily. The harmonious relationship that the two largest Middle East countries, Iran and Egypt, developed with one another and with Saudi Arabia and the other Gulf states provided an atmosphere conducive to orderly development.

In this environment, progress on the Arab side of the Gulf was impressive:

-- The seven so-called "Trucial States" came together to form the United Arab Emirates. Bahrain and Qatar firmly established their national identities. All the Lower Gulf states developed a strong foundation of cooperation across a broad range of economic, political and security issues among themselves, Kuwait and Saudi Arabia.

-- Many of the sensitive boundary disputes in the Gulf were resolved.

-- The insurgency in Oman's Dhofar Province, supported by the radical South Yemen regime, collapsed when faced with Oman's spirited resistance and progress toward national unity. Oman was aided by significant support from its neighbors.

-- Saudi Arabia and its Gulf neighbors made progress in developing institutions of public administration, accommodating traditional social structures to the needs of modern government. In the UAE the federal assembly has developed as a constructive expression of public sentiment. Kuwait and Bahrain have experimented with popularly elected national assemblies and in the process have gained valuable experience in how to engage public opinion constructively in the formulation of national policy. Kuwait's ruler has just issued a decree calling for the re-convening of an elected National Assembly before the end of February. Saudi Arabia has announced that it will soon establish a consultative council.

Without exception these six governments have made important strides in using the benefits of oil wealth to better the lives of their peoples by meeting basic human needs and developing human potential while building the material attributes of modern societies.

The Surrounding Environment

Presently, however, and as we look ahead, the reassuring record of progress in these six Gulf states must be weighed against events in surrounding countries which impact heavily on these states. These include:

-- The revolution and the decline of central authority in Iran have radically altered the strategic environment of other Gulf countries.

-- The Soviet invasion of non-aligned Afghanistan threatens the security of all of Southwest Asia.

-- In this regional atmosphere Soviet, Cuban and East German presence in the Horn of Africa and South Yemen reinforces longstanding concern about Soviet pressure through support of radical forces.

-- There is, furthermore, an atmosphere of marked instability within the wider region. Rejection of long cherished traditions of civility is becoming more notable. Specific examples are:

* the violation of international law and standards of civilized conduct among nations in the continued holding of diplomatic hostages in Iran;

* the unprecedented campaign of terrorism by Libyan leaders against their own people abroad;

* the violence in Lebanon, and the difficulty of rebuilding civil order; and

* the legacy of Iraq's support for radical groups engaged in terrorism.

-- The complexity of Iraq's search for its national personality, its future relationship with Gulf neighbors and its international role as a wealthy member of a world under economic pressure--all impact significantly on the region.

-- Historic progress in achieving peace between Egypt and Israel has in its current state created tension between Egypt and other Arabs. The current isolation of Egypt from the Arab world has inhibited Egypt's role as a force for stability elsewhere in the Middle East.

-- At the same time, our commitment to deal with all aspects of the Palestinian problem while sustaining Israel's security nourishes hopes for the tranquility which peace can bring throughout the area. But this quest challenges leaders in the Gulf and elsewhere in the Middle East to rise to the level of vision and courage required to proceed on the path to a lasting peace.

The Present and Future Gulf: Concern, Opportunity, and How We Respond

The Gulf states perceive themselves and the world perceives the Gulf region with a remarkable mixture of anxiety and hope. Tensions in surrounding areas have increased concern about the Gulf's security, while the very progress in the region has brought internal stresses. The vast resources of the region and the demonstrated willingness of its leaders to meet new challenges at home and abroad suggest that these states have the capability to keep their own houses in order while playing an ever more constructive and important role in regional and world affairs.

We can pursue our interests in the region in harmony with the aspirations and concerns of its people. To do so we must constantly bear in mind how our various interests and their various needs relate. There is, for instance, an obvious relationship between the security of the region and its reliability as an oil supplier. The growth of our economic relationships will have an impact on the pace and quality of development in the Gulf states, and this in turn will influence the prospects for stability. Our ability to be supportive of the security of the region will be influenced by both international economic and regional political factors, and regional security will in turn enhance the prospects for orderly development and stability. The progress which we can make toward a comprehensive Middle East peace not only will heavily influence the quality of our relationship with these states, but also will have profound impact on their prospects for orderly progress.

Security and Orderly Progress

Given our deep interest in the security of the region and the alertness of the Gulf states to external and internal pressures on their stability, we might define possible threats to the region as a framework for discussing part of the US policy response, making clear that our posture is one of defense, finely tuned to the sensitivity and sovereignty of the states in the area.

Direct Soviet Aggression

In the light of historic Russian objectives and expansionism into Central Asia, the Gulf states have good reason to be apprehensive about the possibility of direct Soviet military intervention. The Soviet invasion of Afghanistan gives a tangible quality to this longstanding concern. The turbulence in revolutionary Iran suggests a further immediate possibility for the Soviets which could give them a direct opening into the Persian Gulf and its oil and a further lever with which to upset domestic stability in the Gulf region. The thinly populated Gulf states realize they have no prospect for developing a military capability to meet these threats. They look to us to check them, but they prefer that we do so by actions outside the region and in a way that minimizes their involvement. They greatly fear that the area will become an arena of superpower confrontation.

Our response to the Soviet threat must, therefore, involve a complex of military, economic and political actions, and working in close cooperation with our allies, our friends in the Gulf and key states in the broader region.

-- Economic and political measures we and our allies have taken to bring home to the Soviets the cost of intervention in Afghanistan are part of this response. The Gulf countries, in their own Islamic context, have led international efforts to obtain Soviet withdrawal from Afghanistan.

-- Other industrial democracies have joined us in intensified efforts to support two key neighboring states which are deeply concered about Soviet intentions in the region -- Turkey and Pakistan. Gulf governments have indicated their desire to assist and cooperate with these countries.

-- We are also seeking to provide the states of the region with an improved defense capability of their own.

-- We have made significant sacrifices to transfer scarce resources into a strengthened global military capability, and continue to work with our allies in the common task of maintaining a military balance which will deter Soviet intervention in the Gulf, or elsewhere.

-- We and our NATO allies are proceeding with actions in Europe to buttress Western strength vis-a-vis the Soviets, while we also direct resources and military capabilities toward the Persian Gulf to establish the capacity to deter there as well.

-- Because of its strategic location and its critical resources, the Gulf is inescapably a factor in the global balance. Our ability to maintain that balance requires a capability to project effective force toward the region for the purpose of confronting aggressors and safeguarding the integrity of its nations.

-- We are determined that the Gulf will be secure against outside interference. In his State of the Union address the President made this point clearly when he said, "An attempt by any outside force to gain control of the

ersian Gulf region will be regarded as an assault on the ital interests of the United States of America and such an ssault will be repelled by any means including military force."

— The logistics of maintaining this deterrent capabilfty equires cooperation from friendly states in the region. r a third of a century we have maintained a military resence in the Gulf and our deployed forces have had access o logistic support facilities. Our continued ability to ontribute to the security of the region greatly depends pon such access.

— In order to carry out this policy in the region, e have undertaken several initiatives:

--- In response to the destabilizing situation and Soviet pressures in the general region, we have significantly increased our naval presence in the Indian Ocean.

--- Further, we are improving our capability to surge forces into the area by organizing the RDF and by improving our airlight and sealift forces to move the RDF more quickly.

--- In addition, we have sought and are seeking selective and limited access to air and naval facilities in the area, such as Oman, Kenya, and Somalia. We are also upgrading facilities in the area, such as Diego Garcia.

--- These facilities are to support our peacetime presence, periodic exercises and deployments, and to allow us to move more significant forces into the area if necessary.

--- We seek no bases. Our cooperative arrangements fully respect the sovereignty of the cooperating states,

and of their neighbors. Such cooperation reflects the realism and strategic grasp of governments determined to preserve their own independence and to foster a secure regional environment.

Soviet Supported Aggression

Over the years Gulf governments have been concerned about Soviet military support for and political influence in radical neighboring states with aggressive policies. In the last decade the Marxist regime in South Yemen, strongly backed and heavily armed by the Soviets, fought border actions against Saudi Arabia, supported the insurgency in Oman's Dhofar province, and last year invaded North Yemen. The Soviet position in Ethiopia, combined with a prominent Soviet role in South Yemen, increases the vulnerability of the Bab-al-Mandab/Red Sea access and intensifies the concern of the Gulf countries. Cubans and East Germans are actively enaged in supporting Soviets efforts in the area.

All six Arabian Peninsula countries on the Gulf seek harmonious relations with all their neighbors. Their basic policy has been to foster a sense of common purpose among Arab and Islamic nations which finds no room for Soviet intervention.

This policy is supportive of our own desire to see the Gulf peoples preserve peace and tranquility. We are encouraged by signs that Iraq has developed a greater harmony with Arab neighbors on the Gulf. We have noted the emergence of a new leadership in South Yemen and will watch carefully for tangible indications it might come to live in peace and perhaps in cooperation with its neighbors.

As elsewhere in the Middle East, we stand ready to work with others in the region to ease tensions where our help is beneficial. Our political and military supply efforts and deployments in response to last year's Yemen war manifested this intent.

But if Saudi Arabia and its Gulf neighbors are to be secure from Soviet-backed military threat or the political pressure such threat can bring to bear, they must have a modern defense capability. Our security assistance to these countries is a significant factor in providing this capability and a key element in our overall relationship with them. Our peacetime military presence in the region is an additional element in assuring the security of the area.

Over the years we have had an important role in assisting Saudi Arabia to develop a modern defense capabiltiy. Over the last decade we have played a significant part in Kuwait's defense program. In recent years we have demonstrated our willingness to be supportive of the defense requirements of the other Gulf states.

Our arms policy toward the region is consistent with our worldwide approach to providing military equipment and training. Our arms sales to all six states are designed not to seek short range political or commercial gains by loading them with unsuitable or excessive equipment, but rather to help provide them with an appropriate and effective national defense. In this effort we do not wish an exclusive role and welcome the contribution of our industrialized allies and of governments in the region, such as Jordan, who can assist in various ways.

Regional Conflict

The atmosphere in which the Gulf states seek their future is influenced by rivalries, tensions and violence in the wider region--in the Arab/Israel dispute, in Lebanon, in parts of Africa, and, closer to home, in the current tension between Iraq and Iran, and South Yemeni pressures on neighbors. The Gulf states recognize clearly the need to defuse these tensions. Our own policy remains dedicated to this objective In some cases we can play a significant role, at times working together with Gulf countries. In other situations, such as the tension between Iraq and Iran, our concern exceeds our ability to influence events. We welcome whatever influence the Gulf states can bring to bear in removing the source of regional tension.

Externally Supported Subversion and Internal Threats

No catalogue of possible threats to the Gulf states would be complete without acknowledging that there is widely publicized concern about threats from within. That outside forces seek to subvert these states is a matter of public record. The Gulf states face a number of challenges, some resulting from the very progress they have made:

— The modernization process itself brings change to traditional societies.

— The large influx of foreign workers so necessary to implement their national development programs, has given most Gulf states a work force more foreign than "native." This raises the long-term problem of the claims of foreign residents on the society.

— The leadership in these countries has shown wisdom and concern for human development in the use of oil wealth. In the years ahead, however, they are likely to be faced with continuing internal pressures to assure various elements of society a fair share and a meaningful role. Ensuring a meaningful role for the unusually large percentage of young people in these societies, all of them with access to education, is a special challenge.

— Having made progress in establishing government institutions, these states face the challenge of maintaining sensitive contact with their peoples, and of developing institutions which will carry their traditional social harmony over into the modern era.

— Since the Iranian revolution the attitude of minority Shi'a communities in many of the Gulf societies has been of concern. Propaganda from Tehran urges Shi'a residents to oppose the monarchial Gulf regimes and their Western ties. The Gulf states wish to maintain decent relations with Tehran. They desire a reduction of tensions between the U.S. and Iran as a means of fostering regional tranquility.

We will not interfere in the internal affairs of any country. We have, however, through both official and private channels had an important role in the region's economic and social development and we are eager to continue this contribution wherever it is welcome. We share the view of these governments that their economic and social development must be sound and wisely paced. The Gulf governments are aware that we welcome their efforts to devise political institutions which will respond effectively to the desire of their people to participate in the shaping of national policy in a period of rapid economic and social change. These governments understand we advocate no particular doctrine or political system for them but that we support their interest in developing viable institutions of government, which assist in providing protection for basic human rights.

Middle East Peace: Concern and Opportunity

The Palestinian issue weighs heavily on all the Gulf governments and on our relations with them. These governments seek a comprehensive Middle East peace on the basis of Security Council Resolution 242. They all strongly assert the need to fulfill the rights of the Palestinian people in any peace arrangements, and Saudi Arabia in particular feels a special responsibility toward the future status of Jerusalem.

Consistently these governments assert that absence of peace in the Middle East is the primary threat to Middle East security, including the stability of the Gulf region. They regard tensions and alienations created by a third of a century of conflict between Arabs and Israelis as the main source of Soviet influence in the region, as a leading contributor to revolution and radical political currents throughout the Middle East, and as the primary obstacle to developing the sort of firm relationships with the US which their national interests otherwise call for.

In the last two years the Gulf States, except Oman, have rejected the approach we have taken toward the peace negotiations. Even Oman has recently stated publicly that continued negotiations on Palestinian autonomy should be "discarded" if Israel refuses to end its efforts to consolidate control over East Jerusalem occupied in June 1967.. The Gulf states generally are skeptical that the negotiations under the Camp David agreement will lead to a comprehensive peace. Our differences on this question have caused strains in our relations. We intend to continue to stay in close touch with them. We seek their understanding that the course we are pursuing is the only practical approach to a lasting peace. These states all understand the commitment of the US to a determined pursuit of the peace process, and our unique ability among outside powers to influence events.

The Arab-Israeli problem is the most striking example of the inter-relationship of concern and hope in the Gulf states. Our own responsibility to seek peace in the Middle East flows from national objectives much broader than our interests in the Gulf. But if we can successfully pursue the path to peace at some early point with the cooperation of the Gulf states, we can proceed to turn a danger into an opportunity. For progress toward peace will enhance the security and domestic tranquility of the Gulf. It will strengthen the quality of our overall relations with the region. And it can unleash enormous additional Gulf resources to enhance the international effort to improve the lives of all the peoples of the Middle East, and areas beyond. As a final point, I would stress that while a solution to the Arab-Israeli problem will not solve all the problems of the Persian Gulf, visible progress in pursuit of such a solution would contribute significantly to our pursuing a Gulf policy in active harmony with the states of the region.

The Economic Issues

Our policy and our relations address the total context of these countries, which play and will continue to play an important role in some of the most pressing economic issues facing the world community.

Energy

These six states currently provide almost half of the free world's oil imports. Because their absorptive capacity is, at least in the short run, limited in relation to their enormous oil reserves they have considerable flexibility in production policies. Because oil is overwhelmingly the mainstay of their national economies, they face growing domestic pressure to conserve this national patrimony. These countries have generally been on the moderate side in OPEC price debates and they have tended to produce more than their domestic revenue needs require in order to help meet international demand. Saudi Arabia, by far the largest producer, has of course been noteworthy in the responsibility toward the international economy it has demonstrated in both price and production policy.

A key issue for the United States and the world generally in this decade is how narrowly or how broadly these oil producers define their economic interests in approaching production and price decisions. As we face the tight energy supply situation anticipated in this decade, there will be continuing need to find means to encourage these producers to maintain their production. We have pursued a sustained exchange with them in recent years on energy issues and their relationship to the world economy. We seek to intensify this dialogue to develop a stronger sense of the common responsibility of key producers and consumers toward an orderly transition to a world less dependent upon oil as an energy source. As this dialogue has developed in the last year, it is noteworthy that the Gulf producers have strongly welcomed the efforts we are making to reduce our dependence on imported oil, and have urged us to do considerably more.

International Finance

The official foreign assets of these Gulf states now total over $140 billion and are increasing rapidly as these states produce more oil than they currently need to meet domestic expenses.

The Gulf states have acted responsibly in their investment of these surplus assets, but such huge amounts pose a number of problems for the international economy:

— the difficulty of sustaining world economic growth with financial stability in the face of the massive transfer of resources from industrial democracies and the developing world to the producer states;

— the need to maintain adequate opportunities for investment by Gulf states in the U.S. and other economies;

— the requirement for stability in the international financial system, and to maintain confidence on the part of investors;

— the problem of coping with the needs of those developing countries which are increasingly strapped to pay their oil bills.

We consult in a variety of fora with key Gulf countries on these problems and other financial issues. They have become important and constructive members of the international financial community. We seek to encourage their further participation, including greater recognition of the need for the wealthy oil producers to bear a larger share of the task of helping poorer countries to finance their large balance of payments deficits through concessional aid and direct lending.

International Development

Saudi Arabia, Kuwait, the United Arab Emirates and Qatar have collectively committed over $20 billion in economic assistance to developing countries in the Arab world and beyond, including some $5 billion in support of a variety of regional, OPEC and international lending institutions. They devote some five percent of their GNP to economic development lending. We seek to work closely with them in a common effort to assist third countries. In the decade ahead there is great scope for even closer cooperation, in some cases combining U.S. and other Western technology with the financial power of the Gulf states to pursue constructive development projects in needy nations, including helping them develop energy resources.

Commerce

U.S. exports to these six Gulf countries now exceed $7 billion a year, representing about one half of our sales to the Middle East. Our sales to these countries provide employment for some quarter million Americans. Yet because of our dependence on Gulf oil and the rapid increase in oil prices, we ran a $4 billion trade deficit with these countries last year and expect that gap to increase this year.

U.S. exporters currently hold over one-sixth of the market in these countries, and an even higher one-fifth share in Saudi Arabia. But we continue to face extremely tough competition from other industrial democracies and some developing countries in our efforts to maintain and expand our sales. There are a number of important policy issues under the general heading of "export disincentives" which both the Administration and the Congress must continue to address if we are effectively to pursue our national interest in expanding commercial ties with this region.

Transfer of Technology

We can take satisfaction in the role of private Americans in the development of the Gulf oil industry, which has provided the wherewithal for the remarkable improvement in the living conditions of the people of the Gulf. American technology continues to contribute in a wide range of development activity. Today there are some 30,000 private Americans working in Saudi Arabia and the other Gulf states contributing to the orderly development of these societies. It is in our interest, consistent with other national policies, to encourage greater U.S. participation.

There has long been official American involvement in the development of Saudi Arabia through the activities of the U.S. Geological Survey and the U.S. Corps of Engineers. In recent years we have significantly expanded our official participation under the U.S.-Saudi Joint Economic Commission, which provides expertise to the Saudi Government on a fully reimbursable basis. There are currently twenty Joint Commission projects in such areas as water resource planning, solar energy, vocational training, highway management, water desalinization, data processing, and financial information services.

We have recently established a U.S.-Omani Joint Economic Commission which also will focus on technical assistance for development projects. The United States intends to contribute, along with Oman, in financing the activities of the Commission, which we regard as the centerpiece of expanding economic cooperation.

For some years our Peace Corps has been active in Oman, as it was until recently in Bahrain. There we have also provided a number of AID experts on a cost-sharing basis.

In the other Gulf states through a variety of mechanisms we have provided US Government experts at host government request. In recent years, the IDCA's Trade and Development Program has been an effective mechanism for facilitating this transfer of technoloy.

It is our policy to be helpful wherever host governments desire in making official US expertise available to their development programs. We fully recognize, however, that in the future as in the past our private sector will play the leading American role in helping the Gulf societies meet their development aspirations.

Educational and Cultural Ties

In the last decade both the official and private American cultural and educational links with the Gulf countries have grown enormously. Today there are over 15,000 students from the Arabian Peninsula in U.S. institutions of higher learning. The exchange of visits by public and private officials in educational and cultural fields has grown significantly. In our policy toward the Gulf region we fully recognize the need to continue to nurture these relationships. Our ongoing effort to develop stronger relations with the Gulf states will greatly benefit from the understanding and ties which are being created by the experience of students from these countries in our universities.

The importance of this region to the United States today and in the future requires that in our society there be a better understanding of the culture and aspirations of the peoples of the Gulf.

The Evolving Relationship

As we seek to build our relations with Saudi Arabia and its its Arab neighbors on the Gulf, in a mutually beneficial way, we are sensitive to the fact that the pursuit of each of our interests--security, peace, energy, economic development, financial cooperation, commerce, and culture--impacts on the prospects for our other interests. We will continue to seek a balance in our relationships which reflects the totality of our own interests and the total personality of the Gulf states.

We do not underestimate, nor do our friends in the Gulf states, the problems that lie ahead and the difficulty of the issues which our expanding relationships must address. On the contrary, we recognize that we are striving for security and stability in the midst of [illegible] and crosscutting issues in a region whose continued independence and orderly progress are in our deep interest. On the basis of the progress made to date, however, we believe that we can continue to build firm and close relations with each of these countries in a way which will increasingly serve the interests of both our peoples and indeed of the world community generally.

Thank you very much, Mr. Chairman.

Mr. HAMILTON. Thank you, Mr. Secretary. We appreciate your statement. It is comprehensive and an excellent statement of our interests and our perceptions in the area.

STATUS OF MIDDLE EAST PEACE

First, may I ask you about a statement that Ambassador Linowitz made today? Could you fill the subcommittee in on that? I understand he has commented on the resumption of the peace talks between Israel and Egypt.

Mr. SAUNDERS. I think the most accurate and comprehensive way of answering your question is to read the three simple points that Ambassador Linowitz made:

He said,

> I have been authorized by President Sadat and Prime Minister Begin to make the following statement: "One, both parties are agreed that they are and remain firmly committed to the Camp David Accords and are convinced that they offer the only viable path toward comprehensive peace in the Middle East. Both are determined to see the process through to a successful conclusion, regardless of temporary difficulties that may arise along the way.
>
> "Two, the parties recognize that for the negotiations to succed they must rest on a firm foundation of mutual trust and friendship and they undertake to strengthen that foundation in the coming weeks.
>
> "Three, the parties agree to resume the autonomy negotiations at a mutually agreed date, and to consult regarding the preparations, venue and timing of a summit meeting."

Let me read this third point again, because I think that is the paragraph that will capture people's attention:

> The parties agree to resume the autonomy negotiations at a mutually agreed date, and to consult regarding the preparation, venue and timing of a summit meeting.

So this is an agreement in principle that the autonomy negotiations should be resumed and that a summit meeting would be useful, but further consultations will determine the timing of the resumptions and the arrangements for timing the summit.

Mr. HAMILTON. Can you go beyond that statement in any respect?

Mr. SAUNDERS. There is really not much to say except what the President said this morning, which was to say that he expected the negotiations to resume in a few weeks, and a summit to take place later this year. But here is really not a lot more. There are certain steps that lie behind the other paragraphs that will become apparent in a few days.

POLICY CHANGES

Mr. HAMILTON. Mr. Secretary, to begin on the subject of the hearing, I would like for us to focus a moment on comparing our policy today with our policy toward this area of the world a few years ago. I would like to ask you what significant changes you have seen, and recall for you some of the observations that Assistant Secretary Sisco made when he was before this subcommittee in 1972.

He said in 1972 that our policies toward the Persian Gulf were premised on the fact that the states in the area were, and I quote him now, "in a position basically to provide for much of their own security."

Do you see a fundamental shift in our premise as of today with the Carter doctrine in response to Afghanistan and with the developments in Iran? Are we still viewing the situation so that we think that the states in the area must provide basically their own security?

You, in your statement, referred a number of times to a new security posture. I kind of have the sense maybe that the United States has become the protector. A lot of your language suggested to me that our role in the Persian Gulf now has become very similar to our role in Western Europe.

Mr. SAUNDERS. I think we have to start by noting one of the major changes of the last year, which is the Soviet invasion of Afghanistan, which has dramatized the Soviet part of the threat. Back when my predecessor made that statement 8 years ago, there was, of course a CENTO alliance, Iran was strong, and in years following, the cooperation between Iran and Saudia Arabia and the states of the gulf evolved in a relatively smooth way.

There seemed at that time to be no more than the normal Soviet threat that one should prepare for, and that we did prepare for through the CENTO alliance. In that context, I think it was fair enough to say that the states of the area could provide stability within their area, acknowledging the backdrop even at that time of our relationships with CENTO and NATO's extension through Turkey and so on.

With the collapse of CENTO, the chaos in Iran, and the Soviet invasion of Afghanistan, I think that we all have had to go back and reassess in a global context what this Soviet thrust into that region means for us as the other super power. Therefore, I think what has happened in the last 8 years in that we have seen injected into this area a question that relates to the global strategic balance, and in that context, I think the United States has to show greater concern for the Soviet presence there.

If one thinks simply of the security relationships within the gulf itself, I think we still see harmony and cooperation among the states that we are talking about here today a substantial measure of their own security against normal intraregional threats.

Mr. HAMILTON. So, clearly the role of the United States as protector and guardian of security in the areas has increased rather dramatically since 1972?

Mr. SAUNDERS. If one thinks of it in a global context and America's global role, yes. If one thinks of it in terms of what is going on within the region itself, I think the answer is a bit more yes, but not to the same dramatic degree.

REGIONAL COOPERATION

Mr. HAMILTON. Mr. Sisco also emphasized very much the effort by the United States to press for regional cooperation. Let me give you another quote of his to give you that flavor.

> We decided that we would try to stimulate and be helpful to the two key countries in the area, namely, Iran and Saudi Arabia. That to a degree, to which we could stimulate cooperation between these two countries they could become the major elements of stability.

Now, obviously that cooperation doesn't exist any longer. Are we still putting the same kind of emphasis on this regional cooperation that he emphasized in the 1972 as kind of the linchpin of stability there?

Mr. **Saunders**. I think within the regional context, the answer is yes, and I would add one point. When Mr. Sisco was speaking in 1972, we have to remember that no one quite knew how these small states in the area were going to work things out among each other, whether they would get along, whether there would be constant tension among them which would create instability, and so on.

The record is remarkably good. They have gotten along well. Their cooperation has been good. There has been a period within which they have managed to attend to their own individual development as well as building cooperation among themselves.

So, except for the major fact that Iran has now been taken out of the equation that you just described, I think the circumstances on the Arab side of the gulf have improved.

Mr. **Hamilton**. What about the new cooperation between Saudi Arabia and Iraq, how do you assess that?

Mr. **Saunders**. First, I think it is very early to ascribe solid new characterization to the relationship. We have seen early manifestations of it, I suppose through the cooperation in the Baghdad Conferences, but more recently what you are referring to I assume, is the visit of Hussein to Saudi Arabia.

First of all, I think that one has to regard that as something in its beginning stages and something which one cannot firmly assess this early.

The second point, I think, that is important to make is that Iraq itself has seemed to moderate its polices over the last 2 years for the sake of playing a larger role in this area. I personally don't think that basically Iraqi policies have changed in a fundamental way but they have shown more attention to the gulf, their policies have been less ideological on the surface, and they have sought to build better relations, with those countries.

ROLE OF IRAQ

Mr. **Hamilton**. What are the implications for us, the United States, of an increased Iraqi role in the gulf area? Do we view this as good? Do we view it as threatening? Are we uneasy about it? Are we encouraged by it?

Mr. **Saunders**. I think we are uncertain about it for the reason that I just described.

First of all, it is there, so it is a fact that we have to deal with.

Second, I think we have to reserve judgment on just exactly what Iraqi objectives in this area are. For the moment, as I said, their policies have seemed to take on an air of greater moderation, but it is too soon to make a judgment about that. Therefore, I would say our attitude is one of uncertainty.

Mr. **Hamilton**. Mr. Winn.

Mr. **Winn**. Thank you, Mr. Chairman.

SOVIET INTENTIONS

Mr. Secretary, concerning the Soviet Union buildup of its forces at the air bases in Afghanistan since December, is it increasing its capability to strike targets in the Persian Gulf? Is there any pattern or indication that it has a plan?

Mr. SAUNDERS. I think the buildup in Afghanistan at this point is almost entirely related to events inside Afghanistan. As you know, the Soviets have had a much more difficult military job in front of them there than they, I believe, anticipated.

It is a geographic fact that as Soviet forces are stationed farther forward, they are closer to positions in the Persian Gulf. At this point, however, I think it is too soon to make a definitive statement that they have increased their capability vis-a-vis the gulf, but that is something that could evolve, Mr. Winn. It is something obviously that we would continue to pay the closest attention to.

Mr. WINN. You don't see any trend in that direction?

Mr. SAUNDERS. I wouldn't want to say no to that. I think I would simply say that we don't see any hard evidence of a firm trend, but as I said a moment ago, when a foundation is built, one has to keep an eye on what is going to be built on top of it. I don't know whether it is a trend, I guess is the answer. It is a foundation, but I don't know whether the structure is going to built on it.

LETTER TO IRAN ON HOSTAGES

Mr. WINN. There is an article in the newspapers about Muskie's letter to Iran asking them to free the American hostages.

Mr. SAUNDERS. What that refers to is that when the new Prime Minister of Iran was designated, the Secretary sent through diplomatic channels a short message noting that he was assuming important responsibilities and calling to his attention the importance of the hostage issue and expressing the expectation that we could get on in dealing with that issue now that the Iranian Government is formed.

Mr. WINN. I understand that. But I wondered if you would furnish to the committee a copy of Secretary Muskie's letter?

Mr. SAUNDERS. Let me check with the Secretary, if I may on that, since it is his letter. I would be glad to brief you in any way. I will work something out.

[The information referred to follows:]

TEXT OF LETTER FROM SECRETARY OF STATE EDMUND MUSKIE TO PRIME MINISTER OF IRAN MOHAMMED ALI RAJAI

DEAR MR. PRIME MINISTER: I write to you as one who in my position as Secretary of State has only newly been confronted with the problems which currently beset relations between our two countries. I know that these problems will be but one aspect of the heavy new responsibilities you will be assuming as Iran's first Prime Minister under the Constitution of the Islamic Republic. It is my earnest hope that we, together with the Foreign Minister you will appoint, will be able to work towards constructive solutions to the difficulties between our nations.

With the death of the former Shah, a chapter of Iran's history is now definitely closed. With the establishment of your Government, a new chapter is opened. I believe this is the moment to take a fresh look at the problems between Iran and the United States.

The United States recognizes the reality of the Iranian Revolution and the legitimacy of the Islamic Republic. In a series of successive steps, the Iranian people have had the opportunity to participate in the process of creating new institutions. I assure you that the United States has had no wish to interfere in that process. We believe that no outside power should interfere with the right of the Iranian people to make their own political decisions.

Fifty-two of my fellow Americans remain held in Iran after nine months of captivity. I have met with their families. I cannot express to you adequately the deep and desperate suffering these innocent people have experienced. Americans of all political persuasions and strata of society are united in concern for their early release. I hope that you will agree with me that it is time now to bring an honorable end to their ordeal and to send the hostages home to their families.

I recognize that Iranians have suffered, too. The continuance of the impasse can only lead to further bitterness and suffering on both sides. The cups of anguish are now full. Let us empty them and begin anew. I assure you that we will show the fullest respect for your independence, your territorial integrity and for the principle of non-interference.

We recognize that the decision on dealing with the hostage crisis has been entrusted to the Iranian parliament as representatives of the Iranian people. We also recognize that in Iran, as in the United States, there are deep feelings as a result of grievances perceived in the past. There are many difficult issues between the United States and Iran. For our part, we are willing to proceed fairly and to approach each of these issues on a basis of mutual respect and equality.

In order to begin the process of understanding each other better, I think it would be useful to establish a regular channel of communication. I would personally prefer that this be done directly, very discreetly if you wish, between representatives of our two Governments. Speaking frankly and directly is the best way of removing hostility and suspicion. If you would prefer, however, we would be pleased to deal through third parties who could transmit messages between us on a regular basis. The Swiss or the Algerian Embassies could play this role as they are already the protecting powers. Other persons, either official or private intermediaries, could perform the same function.

I would hope that you would be prepared to give us your thoughts on points which might be usefully discussed in such an exchange.

I look forward to hearing from you in the interest of our two peoples.

Sincerely,

EDMUND S. MUSKIE.

Mr. WINN. All right, and as a followup, I wondered if you have a copy of the proposal drafted by the foreign affairs commission of the Iranian Parliament concerning the hostages, and would you make that available to the committee?

Mr. SAUNDERS. That is not available yet. The foreign relations committee prepared a draft which was debated and then following the debate, the draft was sent back for further revision, so what we have seen is a few press reports of what was alluded to in their debate but we have not received their proposal.

Mr. WINN. It has been sent to the United States?

Mr. SAUNDERS. No.

Mr. WINN. Or anybody else?

Mr. SAUNDERS. We have no way of knowing. Actually, as you know, to your collective credit, the debate is in response to the letter which 178 of you and your colleagues sent to the Majlis, and it is the position of the paper that you are alluding to which is actually the response to your first message.

As soon as we get it, we obviously will be linking it up in full text along with any other elaboration that we have on it.

ARMS SALES POLICY TOWARD LOWER PERSIAN GULF STATES

Mr. Winn. Back to the basic subject matter of your testimony today. In 1972, the United States developed an arms sales policy toward the small lower gulf states, which states, and I quote. "The sale of weapons and other types of equipment which could be destabilizing will be carefully reviewed in the light of the broader U.S. interests in the area."

Now, this policy as I understand it, puts restraints on arms sales. We tended to rely on the British to assist the security of the small states, while we made only a few commercial arms deals of light arms. Yet, today we are moving toward a larger arms sales relationship with Oman, and the United Arab Emirates is expressing a strong interest in certain sophisticated U.S. equipment. Bahrain and Qatar may follow.

Are you making a change of direction there? Why the change of policy? What was wrong with the policy we set in 1972?

Mr. Saunders. There is an evolution, but let me answer your question going back to 1972, and just explaining the thought behind the policy at that time.

As you noted, the British were just withdrawing. They had had a special relationship with the states of that area and had been the primary provider of security. Therefore, at that time, when we framed our arms sales policy, we judged that we should not rush into these states to provide arms that were more sophisticated than they needed or more numerous than they could handle, or more numerous than was suggested by any threat that might exist. We followed that policy for several years.

The reason for that, as you will recall, is that this was a time when substantial arms sales around the world were being pursued as part of the commercial policy of the United States to help with American balance of payments. So we thought it best at that time, in this particular area, to make an excepion, and have a more restrictive policy. We didn't want to produce arms races in an area which was just finding its way.

Now, 8 years later, we have had a couple of requests from these countries for American equipment. Really at this point, there are only two countries from whom we have had such requests, and one, the United Arab Emirates, has not made any decision to place orders. So at this point, we are talking only about Oman.

However, our policy today is within the framework of a global military sales policy which in a way is closer conceptually to the policy that we adopted toward the gulf in 1972, which is that we will not sell arms that destabilize, we will not contribute to arms races.

So while there have been adjustments along the way, I think we are still pursuing a relatively modest arms sales policy in this area. We are certainly not rushing headlong into the provision of a lot of military equipment.

Mr. Winn. Did U.S. interests suffer from our unwillingness to sell sophisticated arms during that period of time, from 1972 until now?

Mr. Saunders. No, not in that context, but I think the point is that you had an assured security system: accord between Iran and Saudi Arabia, the British presence fading, and a modest American

esence. But we always throughout that period, told the gulf states
felt they ought to have an appropriate, credible defense system
meet their needs.

Now, given the fact that security was provided in those other ways,
r interests did not suffer. The point today is that it is prudent to
ok at our own policy, given the marked changes in the security
stem within the area, but I would emphasize that we are really
lking so far about some modest arms sales to Oman and a request
at we received from the United Arab Emirates. We are really talk-
g about two very modest requests so far. Our policy is not, as I said,
rush headlong into major arms sales.

I do think these countries have to have a sense that the United States
prepared to work with them in providing security.

Mr. Winn. One last question, Mr. Chairman.

U.S. DEFENSE OF ITS INTERESTS IN PERSIAN GULF

Would you say that the United States is able at this time to defend
interests in the Persian Gulf?

Mr. Saunders. Through the blanced policy that I have referred to,
hink that we are able to do so. But I want to underscore the point
at I made in my opening statement, that our policy in the area has to
a mix of American assets, ranging from the military to the political
d the economic. I think at this moment we are able to protect our
erests in this area.

Mr. Winn. I'm not sure that we can do it now and would like to
ow what is lacking. You can either answer that now or submit it to
committee. Probably it would be wise to submit it to the committee.

Mr. Saunders. Well, I think the detailed answer to your question
uld have to get into some material that should better be handled by
Secretary of Defense in closed session rather than in open session
re.

Mr. Winn. I understand that, but I think that is what we are trying
figure out after all these hearings.

Mr. Saunders. I understand that.

Mr. Winn. I thank you.

Mr. Hamilton. Mr. Rosenthal.

Mr. Rosenthal. Thank you, Mr. Chairman.

SYRIA AND LIBYA

Mr. Secretary, does the Department have any views as to the pro-
sed new relationship between Syria and Libya?

Mr. Saunders. Well, first of all, I think this morning's news indi-
tes that it is far from a reality. You used the word proposed. It has
en created with enthusiasm but noncommittally by Syria, so in fact,
may never materialize.

Mr. Rosenthal. Do you have any views, if it does materialize?
The way I read President Asad's statement, I sense a modest note of
thusiasm.

Mr. Saunders. As I said, he was enthusiastic but noncommittal about
I am not sure.

Mr. Rosenthal. What do you think about it?

Mr. Saunders. I don't understand what useful purpose it would serve.

Mr. Rosenthal. For them to do it or for us to talk about it?

Mr. Saunders. For them to do it.

Mr. Rosenthal. Oh. But if they were misguided in their own self-interest and proceeded along those lines, how would it relate to our national concerns and national interests?

Mr. Saunders. I have difficulty seeing what practical effect it would have on the situation. They are not two geographic contiguous countries, so you are talking about a rather tenuous relationship.

Mr. Rosenthal. Do we have presently any arms sales program with Syria?

Mr. Saunders. No.

Mr. Rosenthal. Nothing at all?

Mr. Saunders. No.

SALE OF AIRCRAFT TO IRAQ

Mr. Rosenthal. The last few days the Department intervened to presumably block the sale of some airplanes to Iraq. Could you talk a little bit about that?

Mr. Saunders. Well, it wasn't a question of intervening. We were going through the normal processes of handling a request for advice from the Commerce Department on whether they should license the sale of commercial aircraft, and we said that now is not a propitious time to do it because of the concern here in the Congress about Iraq's role in international terrorism and the desire of the Congress, which we share, to not to——

Mr. Rosenthal. Could you distinguish that advice in terms of the civilian airplanes and in terms of the sale of the engines for frigates?

Mr. Saunders. I think in this case, this is a sale entirely within the purview of the United States. It is entirely our responsibility. In the case of the frigates, the frigates are Italian-made. There was one American component. It could have been a British component or some other thing. So it was not our judgment to make whether the frigates would go to Iraq.

Mr. Rosenthal. But the American component was the component that made it go?

Mr. Saunders. A British component could have made it go or some other. The point here is that in that case, we couldn't say whether or not the frigates would go to Iraq. In this case, it is our responsibility to say whether the aircraft go to Iraq or not, and that is a different kind of responsibility.

Mr. Rosenthal. The same bottom line is terrorism prospects still exist though. There is no distinction there?

Mr. Saunders. That is true, but this is a terribly complicated, esoteric area, as you know. I suppose one associates aircraft more with that kind of movement than ships, but I am not expert in making that——

Mr. Rosenthal. In terms of political judgments, I suggest that you may well be an expert.

The objections based on Iraq's involvement in terrorism and the concerns in Congress would be the same for the airplanes or for frigates

pages tightly bound

as compared to anything else, isn't that correct? I don't see the distinction.

IRAQ'S ROLE IN REGION

Mr. **Saunders**. Let me step back a moment. Let's look at the problem one has in dealing with Iraq. It is a coming major power on the Middle East scene, it is the second largest oil producer, it now has the largest ground forces in the area, and, as we said a moment ago, it is moderating its policies, at least tactically in a way to move into the vacuum left by the alienation of Egypt from the rest of the Arab countries.

Iraq will play a significant role both ways, both East and West in the Middle East, and it is a country that we really can't afford to ignore. We have, as you know, over the recent years attempted to develop some kind of dialog with the Iraqis without effect. Nevertheless, you can't ignore the country.

When it comes to something like commercial aircraft sales, sales of aircraft that are used by civilian airlines, I personally have to say that it is difficult to see us totally taking ourselves, the United States, out of a role as one of the world's major civilian aircraft suppliers. There is a relationship with a country or a society that goes with having American aircraft in their airlines, it is part of an overall relationship that nevertheless is important.

When you go around the countries of the Middle East and you see Boeing and Lockheed and other aircraft on the lines as a normal thing, with Americans associated with their maintenance and so on, that is a part of our relationship with the area which is civilian economic, not military, and therefore, you have to think pretty hard before you take yourselves out of that.

Mr. **Rosenthal**. Obviously, I appreciate your answer. It is not responsive to my question but it is enlightening nonetheless. Taking everything you said into account, nonetheless, the State Department in its processes vis-a-vis the interface with the Commerce Department, rejected the sale of civilian aircraft.

Mr. **Saunders**. That is right, because we are acutely aware of the concerns here on the Hill——

Mr. **Rosenthal**. In other words, I want to clearly understand the burden of the Department's arguments vis-a-vis the frigates. The argument is that with the civilian aircraft we control all the components. In terms of the frigates, we are only providing the engines and the Italians are providing the boat, that is the distinction?

Mr. **Saunders**. That is right.

Mr. **Rosenthal**. But the same argument as far as the concern of Congress and the Iraqi involvement in terrorism would be the same for both pieces of equipment?

Mr. **Saunders**. I am sorry, would you repeat that?

Mr. **Rosenthal**. The same arguments in terms of Iraqi relationship with terrorism, and concerns expressed in Congress on that subject, would be the same if you considered each sale independently?

I don't think I am expressing it quite well. The argument, the burden of the argument, in not selling the 747's, was that congressional concern over terrorism was acute and therefore, you didn't want to proceed with the sale. The distinction between that and the frigates was that the airplanes were a simple entity as compared to the frigates where we are selling only the engines?

Mr. Saunders. Yes; I think there is also the fact that the frigate engines were not under our control at the time of the licensing, whereas the aircraft are. That is a technicality of the handling.

Mr. Rosenthal. But the same fundamental principal political arguments would exist for each piece of equipment?

Mr. Saunders. Yes; they could.

Mr. Rosenthal. You yourself personally would have preferred to go ahead with the airplane sale, I gather from your exposition?

Mr. Saunders. I think on balance, yes. But recognizing the fact that with a couple of recent terrorist events involving Iraqi in Europe, I think now is not the right time to do it. I think we have to sort the situation out before we come back to the question. I think now is the wrong time.

JORDAN

Mr. Rosenthal. On another related subject, has there been a change in prime ministers in Jordan?

Mr. Saunders. Yes. You remember, Sharaf died.

Mr. Rosenthal. I myself don't remember that, no.

Mr. Saundlrs. Shortly after King Hussein was here with his then Prime Minister Sharaf, Sharaf died of a cerebal hemorrhage at the age of 42, a great loss to the area.

They had an interim prime minister. Prime Minister Badran was just appointed. He was a previous prime minister.

Mr. Rosenthal. Do you sense any movement in Jordan away from Resolution 242?

Mr. Saunders. No.

Mr. Rosenthal. There was a statement by the former Prime Minister they were moving back from 242 and back to, Resolution 181.

Mr. Saunders. No; I don't think that is the case at all.

Mr. Rosenthal. Jordan's commitment to 242 is about the same, either as weak or as strong as it has been for a number of years?

Mr. Saunders. I believe so. The Jordanians, of course, would remind us of what their interpretation of 242 is, as it came out of King Hussein's negotiations in New York at the time 242 was written, and he would say that he is just as committed today to that resolution as he was then.

Mr. Rosenthal. Their interpretation of 242 is presumably different than ours?

Mr. Saunders. Well, I think we ought to say what each interpretation is, whether we are talking about one different from another. I guess we have different perspectives of 242.

Mr. Hamilton. Mr. Pease.

Mr. Pease. Thank you, Mr. Chairman.

Mr. Secretary, I'm glad to have you here.

INTERIM STABILITY IN GULF

I am interested in the prospects for interim stability within the Persian Gulf nations that we have been discussing this afternoon.

Would you say that the prospect for interim stability over the next say 10 years are greater or less than they were over the last 10 years?

Mr. SAUNDERS. Over the last 10 years, I think these countries have ome a remarkably long distance in terms of consolidating themselves s independent nations and consolidating their institutions.

Each one is different, its internal conditions are different, its political traditions and institutions are different. In the United Arab Emirates, they have built a federal structure from nothing. In other ountries they did not have to go through that process.

In Bahrain, they have experimented with representative government, institutional change and so on. The same is true of Kuwait. The act that these countries have established their own identities and come hrough with institutions that have provided stability and security ver the past 8 or 9 years, I think is a substantial political achievement.

It was also a period, however, when socially and economically they were just starting under a new government down the road to greatly ccelerated educational programs, and in some cases greatly accelerated oil revenues, and the social programs that could go with them.

So, we now in the decade ahead, look to the fact that an educated eneration of young people is coming on—I mentioned in passing that omething like 50 percent of the population of these countries is under 5. It is an unbelievable statistic but one can see the ramifications of it. These people will grow up in a society which is formed by oil wealth. They will not have known the period prior to that heavy oil production and large income.

What those people will do and how their institutions will evolve o meet their obvious interests in a role in their society's decisionmaking process is hard to say. There will be stresses and strains and I uppose that there will be instability from time to time.

I find it hard to compare the next decade with the last decade because I think during the last decade there was a remarkable degree of tability simultaneous with a lot of change. In the next decade, I think he stresses and strains will probably be greater, but the capacity to manage them may also be greater.

RESPONSE TO POLITICAL CHANGES

Mr. PEASE. Very encouraging. As you know from one of your previous visits to our committee, I have been interested in the fact that the overnments of these nations are nondemocratic in almost every instance, and wondering whether the United States has a policy as to ow we would respond to what appeared to be a genuine indigenous evolution designed to replace a monarchy, for example, with a democratic government? Do we have such a policy?

Mr. SAUNDERS. Let me make two points, if I might. I am sorry I eep using these questions to make broader statements. Because I think t is important to put this in the largest possible perspective before answering your specific question, let me make a general point.

I have puzzled about how one develops "democratic institutions" in ountries like this. I have thought a lot in relation to Iran, for example, about how one improves the capacity for a new generation to participate in the decisionmaking in a society.

I know the answer does not lie in Western forms of democracy. I think that those who have served in the gulf—my colleague Joe Twinam was Ambassador to Bahrain, would say that the Majlis, that s the forum of a ruler giving his people access to him, to hear their grievances and so on, is probably a form of democracy in the sense of reaching out and responding to people's needs.

Now, what these countries are going to do, and are doing, is to see whether they can somehow institutionalize the process that they have been going through, but not through parliaments necessarily. Bahrain experimented with a parliament, now they are talking about a consultative council. They are looking for ways of institutionalizing what they have been doing to cope with their larger, more complicated, and more modern society.

Your question is, let's assume that somehow a regime is overturned and you have instead of a monarchical regime a revolutionary council?

Mr. PEASE. Not that it is overturned, that it is threatened with being overturned, and the monarchical regime turns to us for help. What is our policy, how do we respond?

Mr. SAUNDERS. Well, you would obviously have to look at that situation at the time. As I said in my opening statement, our policies are geared primarily to providing the global umbrella of stability in this area, but we have expressed our concern for the security of the countries of the area, not as a formal alliance or in any way that commits us to respond to their call. However, having made our interests known, if there were a specific threat to the security of one of these states, our response would have to be in the context of the situation—including the social forces present at that time. And decisions would have to be made here in the usual way under the constitutional processes involved.

There can't be a policy really which one proclaims in advance. The basic principle of American policy is that peoples have the right to determine their own form of government and that the basic policy——

Mr. PEASE. OK. Well, it seems to come down to a statement that we sort of play it by ear depending on the circumstances at the time. I can understand. I really think that your exposition was very helpful. Clearly, a Western style democracy is not going to fit in many nations of the Persian Gulf area or many other places of the world and, what concerns me is what the United States does—and I don't have an answer—what the United States does when people internally try to overthrow a monarchy with the notion of setting up a Western style democracy, which we are pretty sure is not going to work.

We are really stuck in that situation, between our principles of democracy in our own country and the more practical considerations of a stable friendly government being in control of a very important area to us resourcewise.

Mr. SAUNDERS. As a practical matter, what tends to happen, first of all, the people inside the country properly deal with the situation. In some cases they in the Middle East, they will turn to neighbors and try to deal with it in a regional context. All of that, it seems to me, is consistent with our principle that people should determine their own destiny.

If the thing goes beyond that, and there is a request for help from some quarter that is the issue which would have to be addressed at that time.

MILITARY EQUIPMENT FOR INTERNAL SECURITY

Mr. PEASE. In that connection, do we have a policy regarding the sale of military equipment that is suitable for use to curb internal ubversion? I know, at least I think we do in Latin America. Do we ave a policy in the Persian Gulf?

Mr. Saunders. Only the worldwide policy, but as I said in response to Mr. Winn, we literally are talking about requests for military equipment from one country—from Oman—which was fighting a rebellion upported from across its border—and in Kuwait, where we have had program for several years, which is largely geared to air defense nd ground defense equipment. So we are not talking about, and we ave not had requests for, equipment to control internal subversion.

What tends to happen in terms of internal security is that these ountries turn to governments like the Government of Jordan or egional countries for help in developing their own security forces. Before that, and even today, British officers were involved in working ith them on internal security. So the question to date has not arisen.

Mr. Pease. Thank you.

Mr. Hamilton. Mr. Solarz.

Mr. Solarz. Thank you very much, Mr. Chairman.

SUMMIT ON MIDDLE EAST PEACE

Mr. Secretary, I gather, according to the statement issued by Ambassador Linowitz, that both Israel and Egypt would like to have a ummit conference, including the President, with respect to the autonomy negotiations. Is that true?

Mr. Saunders. Yes. You will recall that President Sadat proposed the idea in his letter to Prime Minister Begin 2 weeks ago and that this has been picked up.

Mr. Solarz. Is Prime Minister Begin now prepared to participate in such a meeting?

Mr. Saunders. Yes.

Mr. Solarz. Have they reached agreement yet?

Mr. Saunders. They have not even tried to reach an agreement.

Mr. Solarz. What is our position on a summit? Are we for one?

Mr. Saunders. The White House said yesterday that if it seemed

Mr. Solarz. Do we believe it would push the peace process forward?

we would consider it quite favorably.

Mr. Solarz. Do we believe it would push the peace process forward? In other words, I gather both Egypt and Israel would now like to have a summit conference, although they are not quite sure when.

Mr. Saunders. I think it could be useful in pushing the process forward. We have done a lot of foundation building in the negotiations last year, as you know.

Mr. Solarz. How do you respond to the concerns which some people have expressed that until such time as we can see how it is possible to wrap the negotiations up, it would be a mistake to vest it with the prestige of the Presidency by calling together the principals on both sides?

Mr. Saunders. Let's recall the circumstances of the first Camp David Agreement. President Sadat went to Jerusalem in November 1978. We spent the next 8 months trying to work out a set of principles that could turn that initiative into a basis for a concrete agreement. On the basis of that 8 months of work, and two foreign ministers' meetings, we went to Camp David, spent 13 days crystalizing, not a final agreement, but two frameworks, one of which led to another 6 months of negotiations, and a treaty. We are now engaged in the second negotiation.

Then at the end of the treaty negotiations, you will recall President Carter went to the Middle East to wrap up the final details. So in this case, I would say that a summit meeting, given the history of the negotiations on this subject, can contribute substantially without necessarily being that meeting which wraps up all the final details.

Mr. SOLARZ. With respect to the timing of the summit, do you envision any possibility that one might be held before November?

Mr. SAUNDERS. I think it would be misleading of me to speculate on that because I don't think anybody has really decided, either the President or President Sadat or Prime Minister Begin.

Mr. SOLARZ. Do you believe that negotiations between the Israelis and Egyptians on the autonomy question will resume before November?

Mr. SAUNDERS. I believe so. The date has not been set but I believe they will. The President said this morning, I think, within a few weeks.

F-15'S FOR SAUDI ARABIA

Mr. SOLARZ. Last week, the Saudi Defense Minister reiterated his previous contention that he had received assurances from us that there would be follow-on sales for the F-15's. Were in fact any such assurances given to the Saudis?

Mr. SAUNDERS. That situation is unchanged. It is exactly the way we left it in our last notifications to the Congress. The essence of the position that we provided to Congress earlier, is that our cooperation with Saudi Arabia is a key part of the overall relationship. The Saudis reviewed the effective use of the aircraft as a fundamental part of their efforts to strengthen——

Mr. SOLARZ. Have we given them any assurances that we would sell them equipment for the F-15 that was not part of the original package?

Mr. SAUNDERS. We could not give them those assurances without the consultative process with the Congress.

Mr. SOLARZ. No assurance has been given. A Washington Star article dated Friday, July 18, says that Dr. Brzezinski told the Saudis during a stopover in the Kingdom following his trip to Pakistan that, "for the defense of Saudi Arabia we would do anything," and continues:

> The following leading Saudi military officials conferred and according to Saudi officials agreed on the sale of a number of weapons systems. The Americans were anxious for the Saudis to purchase the AWACS we originally planned to sell to Iran; that General Jones was particularly interested in having the Saudis acquire this.

Have you had any discussions about the sale of AWACS?

Mr. TWINAM. They have raised the possibility.

Mr. SOLARZ. What did we say?

Mr. TWINAM. We have made no commitment.

Mr. SOLARZ. We are not trying to sell them.

Did Dr. Brzezinski say to the Saudis, "For the defense of Saudi abia we will do anything"?

Mr. Saunders. I don't think you will really take literally a quote in ewspaper story like that. I wasn't there. I can't tell you exactly at he said.

Mr. Solarz. Your position is we have not given them any assurances th respect to the sale of additional equipment?

Mr. Saunders. Yes.

JIHAD AGAINST ISRAEL

Mr. Solarz. As you know, Prince Fahd apparently called for a ad against Israel. Have we asked the Saudis and particularly Prince hd for any clarification of his remarks and the potential significance this statement and, if so, what was the response to that?

Mr. Saunders. There have been exchanges with several Saudi nisters since that time. The context in which they put this is that y wanted to be prepared for a struggle and not active warfare. They phasized Saudi Arabia's efforts to unify the Arab world. The foreign nister said jihad was not interpreted by Prince Fahd as aggression attack but rather as a call for the defense and protection of Arabs' ghts, and mobilization of all the political and economic weapons of Arabs.

Mr. Solarz. Have you known of an example in which jihad has not n used in a militarist context?

Mr. Saunders. I think in the original sense the word does mean ly war. As I understand it from Arabists, of which I am not one, term has gone into a more general meaning as rallying support Arabs.

Mr. Twinam. King Faisal called for jihad in 1969 or 1970. It was ome Islamic context.

Mr. Solarz. So it is our position, then, that Saudi Arabia is not lling for another war against Israel?

Mr. Saunders. That is our conviction.

Mr. Solarz. In the sense in which we understand war?

Mr. Saunders. That is correct.

EMBASSIES IN JERUSALEM

Mr. Solarz. Did the Saudis threaten to cut off supplies of oil if untries that had embassies in Jerusalem didn't move them out of rusalem?

Mr. Twinam. In the statement that they issued with the Iraqis, they lked about political and economic measures. They didn't mention l specifically.

Mr. Solarz. In what context? Did they make a veiled threat against untries that had their embassies in Jerusalem?

Mr. Twinam. Quite clearly that they would take political and onomic measures against those countries.

Mr. Solarz. But so far as we know they never spelled that out?

Mr. Twinam. No.

Mr. Solarz. Do we know what they had in mind?

Mr. Twinam. No.

REACTION TO AGREEMENTS WITH OMAN, SOMALIA, AND KENYA

Mr. Solarz. Can you tell us what the reaction of the Saudis and the Kuwaitis and the Emirates have been to the agreements we have concluded with Oman, Kenya, and Somalia for the use of their facilities? Have they registered any reaction, support, opposition, indifference?

Mr. Saunders. The public position, of course, of these countries, is that they will not grant bases on their own land, and we are not seeking bases. As far as reactions of other countries are concerned, most of them have remained relatively quiet, although their attitudes vary from country to country.

I think what is basic is most of them are concerned that there be a strong American strategic umbrella in the area.

Mr. Solarz. Have they expressed any specific opinion on these facilities?

Mr. Saunders. They were fully briefed. They did not encourage or discourage.

Mr. Solarz. So you think they are indifferent or for political reasons they didn't want to take a position? Do you think they have a private position or are they genuinely indifferent?

Mr. Saunders. I do not think they are indifferent to our having a reasonable capacity to project forces into the area.

Mr. Solarz. Do you think they favor these facilities privately, if not publicly?

Mr. Saunders. I think, Congressman Solarz, many of these countries have not really had a chance to think through yet what the Soviet invasion of Afghanistan and the possibility of further Soviet moves through Baluchistan or into Iran mean; second, I don't think they could possibly have thought through by now the implications of a major military force in the area such as that of the United States.

I think we are just beginning to talk our way through this problem with them.

Mr. Solarz. I think that is a fair statement. Personally, I favor the facilities in Oman and in Kenya but I gather, for example, unlike the sale of our arms to Morocco, which the Saudis actively encouraged, they have not encouraged us to establish military facilities in Somalia.

Mr. Saunders. I don't know precisely the answer to that question but what I do know—the reason I say that is my colleague, Reg Bartholomew, has been out there and I don't have the feel for the private conversations I might otherwise have—the Saudis have over the years indicated a very strong interest in active American presence in the Horn of Africa one way or the other.

They have supported our relationship with Oman in the sense of helping with the provision of some of the military equipment we have provided to Oman. So I don't want to leave on the record the implication that they are indifferent to our relationship with Oman. I think they support it.

OIL PRODUCTION AND PROGRESS IN AUTONOMY TALKS

Mr. **Solarz.** Have the Saudis made any threats to reduce the level of heir oil production if we are not successful in achieving progress the autonomy negotiations or resolving the Arab-Israeli dispute general?

Mr. **Saunders.** No, not in a direct or official way.

MOSQUE INCIDENT

Mr. **Solarz.** Finally, Mr. Secretary, what is our judgment at this oint about the implications of the Mosque incident in Saudi Arabia ow that the dust has settled and we have had a chance to evaluate . Do we view this incident as a manifestation of serious underlying nrest in the kingdom which poses a threat to the stability of the oyal family as opposed to being an isolated incident by religious natics?

Mr. **Twinam.** I think we see no reason to not to believe the latter being the case in that particular incident. There is no question bout the fact that the people involved in the mosque incident did xpress some views about the social situation in Saudi Arabia, and hat it struck a chord with some segment of the population.

There does seem to have been a more intense debate within Saudi Arabia insofar as we have come in contact with Saudis who have alked about need for change.

Mr. **Solarz.** Thank you very much.

Mr. **Hamilton.** Mrs. Fenwick.

Mrs. **Fenwick.** Thank you, Mr. Chairman.

ARAB ARMS INDUSTRY

I wonder about a report of a plan for a Saudi-Iraqi arms industry. That does suggest that the Saudis cannot be terrified of the Iraqis, despite Iraq's improved military equipment and arms. Is Saudi Arabia eally going to go into this joint venture?

What is the proof of that?

Mr. **Saunders.** I think where it comes from is the Arab Industrial Organization which was funded by the gulf states, including Saudi Arabia, and was in Egypt but was dismantled during the break in relations.

There has been a discussion about forming a similar organization among the peninsula countries and there does seem to be some discussion about Iraq's participation in that.

Mrs. **Fenwick.** When you say the peninsula countries, it would be the Emirates but not Syria?

Mr. **Saunders.** Not Syria.

Mrs. **Fenwick.** In other words, we seem to be getting a lineup excluding Egypt but running all along the eastern shore of the Persian Gulf; is that correct?

Mr. **Saunders.** There is a vacuum caused by Egypt's absence from the normal Arab lineup, and I think what the Saudis would say, is that they are trying to preserve a moderate Arab front. They are trying to keep a relatively moderate group in place against the day in which a more normal situation can be restored.

Mrs. **Fenwick.** Jordan would be part of this arms group; is that right?

Mr. **Saunders.** I don't know.

Mr. **Twinam.** I don't know for a fact.

Mr. **Saunders.** This is more of an idea than a reality at this point as we understand it.

Mrs. **Fenwick.** It seems to have been announced.

Mr. **Saunders.** We all know for political purposes a lot of things get announced.

Mrs. **Fenwick.** That is even more interesting. The political motive is important because it may affect many things even if this arms industry plan never comes to fruition.

Mr. **Saunders.** I think some Arabs agreed it would be good to have their arms industry and they decided to place it in Egypt because it was the most industrialized and had the infrastructure. Then, when the break took place they thought of re-creating it somehow. It is a longstanding feeling that they ought to have this kind of capacity, but the exact lineup of who would participate in it, or fund it, or where it would be, as far as we know has not been determined.

JERUSALEM, MECCA, AND MEDINA

Mrs. **Fenwick.** Has the emphasis on Jerusalem as the holy city diminished the position of Mecca as a holy city? Are they moving the interest away from Mecca and Medina to Jerusalem?

Mr. **Saunders.** There has been no change. The Muslims will always regard Jerusalem as one of the holiest cities of Islam, but Mecca is still the destination for the pilgrims.

Mrs. **Fenwick.** But that is the holy city, isn't it?

Mr. **Saunders.** The importance of Jerusalem is that the Prophet Mohammed took off on a journey to heaven from that site and hence the holiness of that city. But it is not a case of either/or. It is a case of particular events having happened in different places.

Mrs. **Fenwick.** What do you make of the whole movement there? Are you troubled? Are you concerned? The temperature seems to be getting hotter and hotter.

Mr. **Saunders.** I am concerned, yes, but I have to say that I think that we and our friends have the capacity to work our way down the path in a way that could produce constructive developments in the Middle East.

I have said before this subcommittee on a number of occasions that the pursuit of an Arab-Israeli settlement is the centerpiece because as long as we are moving down that path, then we can overcome a number of differences.

ATTENTION TO PALESTINIAN HOMELAND

Mrs. **Fenwick.** But it has always puzzled me that for 19 years there sat Jordan with the whole West Bank intact and nobody said it was Palestinian homeland. No Arab state rushed forward to applaud and promote a Palestinian homeland.

Certainly it seems from everything one heard the last thing Jordan nted was an independent Palestinian state right on its borders. hat has happened?

Still, Jordan, I think, from what reports we get, is not anxious to a completely independent state there.

Mr. **Saunders.** I think you are perfectly right, the Jordanians, the abs, did not do anything about an independent Palestine homed before 1967. What happened after then, of course, is the rapidly elerated attention to Palestinian nationalism promoted by the lestinians themselves.

What also happened during this period was that—or prior to it—s a recognition by Jordan itself that there would have to be some crease in autonomy, if I may use that in the present sense, of the lestinians in the West Bank.

Mrs. **Fenwick.** Didn't it explode in 1970 when Jordan attacked the lestinians?

Mr. **Saunders.** That is correct; it exploded as the Palestinian vement gathered momentum and brought that objective to the re. It is a new objective on the international scene, but it is real.

Mrs. **Fenwick.** This may be understandable on the part of the ople who live on the West Bank and are Palestinians, but one onders why it has become the obstacle to a comprehensive Middle ast peace for all the other nations. Somehow, one is led to believe ey don't really mean they want an independent state there. What ey really mean is they would like to get rid of Israel.

Mr. **Saunders.** I think what has happened is that with the presce of the Palestinians all over the Middle East in almost every untry and in substantial numbers in the area we are talking about re today, a new generation has come along that has been taught y Palestinian teachers and is infused with the idea of Palestinian ationhood or the homeland as an Arab objective. So it has become regional objective too.

Mrs. **Fenwick.** I can understand the Palestinians feeling like this ut what interests me is why has it become a key to a comprehensive eace for all the other Arab nations?

Mr. **Saunders.** I can go back behind that. I think it is just, as a atter of fact, a key to a comprehensive settlement. It has always een that because the basic issue is how may Israelis and Palestinian-Arabs live in this land together. The resolution of that issue is the ey.

Mrs. **Fenwick.** For 19 years it wasn't even that. The only thing hey were advocating as far as peace in the Middle East was conerned, was to get rid of Israel. That was the whole key. Then suddenly Israel won the war that they started and the goal became a Palestinian homeland. They changed over. They don't think they are going to be able to defeat Israel.

I remember Field Marshal Montgomery after the Second World War saying, there was only one reality in Palestine "and it is Israel because they will fight." That was proven and suddenly the key to everything became the Palestinian homeland which before had interested nobody.

EVOLUTION OF POLICY TOWARD ISRAEL AND PALESTINE

Mr. SAUNDERS Let me not have my position misinterpreted. Firs of all, the reason that there was a feeling in the Arab world that Israe should be destroyed was because they felt that Palestine, as they calle it, was Arab. That problem was the cause for the animosity down t 1967. After 1967, I think we have seen an evolution in Arab use of th point where, consistent with Resolution 242, most of the responsibl Arab leadership is prepared to accept Israel's existence, and to se peace made with Israel in that context. They have to ask themselve what is the solution for the Palestinian Arabs who have been spread al over the Middle East, and into that context comes the objective of th Palestinian homeland.

I am not saying—I don't want to be understood to be saying that th creation of a Palestinian State is the solution to the problem. What I am saying is that the solution to the problem is a resolution of the conflict between Israel and all of its neighbors, including the Palestinians, in ways that we have carefully defined in Resolution 242, at Camp David and so on.

You were asking me what the Arab view is and much of what I have said is to explain the Arab position, not the American one.

Mr. HAMILTON. Mr. Gilman.

Mr. GILMAN. Thank you, Mr. Chairman.

PALESTINIAN STATE

I would like to pursue generally these remarks with regard to an independent state. When we talk to many leaders in private, we find that they don't have the key to true independence. They certainly support having some autonomy and some Palestinian representative government but many are concerned about an independent state that is a sovereign and subject to intervention from outside areas.

Is there any movement at all within some of the moderate Arab leaders to try and resolve this situation by creating a state within Israel that would have Palestine autonomy? Is there any acceptance of that?

Mr. SAUNDERS. No; I don't think they could say a state within Israel. What they have seen is a possibility of an entity with Jordan. That, of course, has been talked about, and others have talked about the possibility of large federations, and some could involve Israel one way or another.

But, you know, I am biased, but I think the Camp David framework lays out a very reasonable progression of negotiations which could deal with these issues in sequence.

The first issue is to provide some degree of autonomy toward the people of the West Bank and Gaza and then a negotiation which sorts out what their relationship will be with their two principal neighbors.

Frankly, I have never been able to understand why I couldn't persuade most Arab leaders that I talked to that this was a logical way to go about solving the problem. It is too big to solve all at once so you take it in various pieces and lay it out. It would permit them to address their basic concerns which are what kind of Palestinian entity there should be, and should it be associated with Jordan or associated with an independent, or that they should consider all those options in the second round which we laid out at Camp David.

If we can show some results in the autonomy talks as a resumption of negotiations, if there can be progress, I think we still have a chance of winning moderate Arab leadership in support of the process that we are engaged in.

I may be an incurable diehard on this, but I am not ready at all to give up on Camp David.

JORDAN'S ROLE IN PEACE PROCESS

Mr. GILMAN. Has there been any progress in encouraging Jordan to sit at the table and discuss this issue?

Mr. SAUNDERS. They are not ready to sit at the table until they see more of what is going to come away from the table. But I believe they are deeply concerned about what evolves from the West Bank, and recognize the importance of Jordan's having some kind of role in what evolves there. I would think in time when they see more concretely what they are going to be dealing with, it would be possible in some way to relate them to the process, not to sit at the table tomorrow or this year, but at some point I think we shall have an opportunity to see them participate under reasonable circumstances.

Mr. GILMAN. I would hope that we would be a lot more successful than we have been in the past in encouraging Jordan to take a more active role. I, for one, find it very difficult to understand why Jordan, which has so much to gain by having a satisfactory solution and who is looked upon as being one of the more moderate voices and is accepted by the Palestinians, is not willing to at least discuss the issue directly rather than doing it through a third party and allowing Egypt to be its negotiator, which has proved to be wholly unsatisfactory.

Mr. SAUNDERS. We have talked bilaterally with the Jordanians a good bit and may increasingly do so if the process of negotiation accelerates again.

IRAQ

Mr. GILMAN. There is just one other area that I would like to discuss. Have the Saudis, who in the past have pictured Iraq as one of their threats, still perceive Iraq today as the major threat?

Mr. SAUNDERS. They have worked recently more closely with Iraq than over the past few years. I think prudence dictates that the Saudis continue to regard that very substantial military force in Iraq as something they would have to be prepared to deal with under other circumstances.

They could not discount the fact that Iraq has the largest ground forces in the area.

Mr. GILMAN. What is Iraq's position with regard to the proposal between Libya and Syria?

Mr. SAUNDERS. I have not seen an Iraqi reaction.

Mr. GILMAN. What would you anticipate would be the reaction?

Mr. SAUNDERS. That they would not be enthusiastic.

Mr. GILMAN. Have the Iraqis had any relationship militarily with Libya in the past?

Mr. SAUNDERS. Nothing formal. There may have been informal exchanges.

Mr. HAMILTON. Mr. Secretary, I still have a few questions I want pursue with you but we do have a vote. So the subcommittee will sta in recess until we have voted and then we will take them up.

[Brief recess.]

Mr. HAMILTON. The subcommittee will resume its sitting.

SAUDI POLICIES TOWARD PEACE PROCESS

Mr. Secretary, the press has reported that Saudi Arabia has har ened its warnings to the United States and to other industrial natio and that we are risking a very sharp cutback in Arab oil shipmen unless we put greater pressure on Israel to give up its claim to Jer salem and take other steps toward a comprehensive settlement.

Is it your impression that their policies have hardened in rece weeks?

Mr. SAUNDERS. No; what has happened, I think, is there is increa ing frustration with the lack of concrete progress in the negotiation There is a feeling of disillusionment with what the negotiations und the Camp David process has produced.

Mr. HAMILTON. As a result of that, is there greater intensity in th protestations of the Saudis?

Mr. SAUNDERS. There is a greater intensity of feeling in frustratio about the lack of progress, but I would not say there is a hardenin of the Saudi position.

Mr. HAMILTON. Are we risking an oil cutoff?

Mr. SAUNDERS. I don't think we are at this point. If you are sittin here a year from now and nothing had happened, I think my answe might be different, but I think at this point there is a recognition tha the United States is engaged in this process and they are willing t give us a bit more time.

Mr. HAMILTON. Some people see, as they look at Prince Fahd' speech—which, as I recall, was a reaction to the Israeli move o Jerusalem—an analogy between that speech and King Faisal's warning in the summer of 1973. Do you see any analogy there between th two?

Mr. SAUNDERS. I don't see a specific——

Mr. HAMILTON. You didn't take King Faisal's warning seriously— not you personally, but we did not as a country. Are we taking thi one seriously or do you dismiss it?

Mr. SAUNDERS. What I take seriously is that we must make progres in the Arab-Israeli negotiations over the next year. If there is n progress, I think that we will have trouble of one sort or another, bu witnessing what President Sadat and Prime Minister Begin hav agreed to and what President Carter has accepted, we are all committed to moving the process forward.

I know we are going to try as hard as we possibly can. While I don' discount the seriousness of not making progress, I think we can mak the kind of progress that will ease the situation.

UNITED STATES-SAUDI RELATIONSHIP

Mr. HAMILTON. I am sure we are fully committed, but the question really is whether they think we are fully committed. You get people like Ambassador Eilts, who testified before this subcommittee a few weeks ago, who said American credibility with Persian Gulf states is at a low point, and Bill Quandt, who also testified before us, basically made the same assessment.

They both talked a great deal about the necessity of strengthening and repairing the American-Saudi relationship.

So it doesn't really matter in a sense how deeply we are committed to this process. The thing that really matters with regard to the oil price and the oil availability and supply is what their perception of our commitment is. Maybe it is not as good as we think it is.

Why would men like Mr. Eilts and Mr. Quandt say that the relationship is so bad?

Mr. Saunders. As I said a moment ago, there is intensified disillusionment with the lack of progress in the peace process.

Mr. Hamilton. You don't agree with Mr. Eilts or do you agree with Mr. Eilts' statement?

Mr. Saunders. I might not use such words—credibility at a low point—but I would say there is intensified disillusionment with the lack of progress in the peace negotiations.

When I speak of American commitments, I am not asking them to take that on faith. What I am saying is I know we are going to pursue these negotiations. I believe ultimately they can succeed. If they succeed in producing results, then I think, as I said to Congressman Gilman a little while ago, there will be a different attitude in the Arab world toward both the United States and toward Egypt.

Mr. Hamilton. I don't have any doubt about that. Is the Carter doctrine a part of an effort to restore, to strengthen, the United States-Saudi relationship?

Mr. Saunders. I think the Carter statement in January was designed primarily to state our views in the wake of the invasion of Afghanistan. I think it was made in a global context.

Mr. Hamilton. You don't see it as having a side effect to strengthen United States-Saudi relations as well?

Mr. Saunders. I see it as an important part of the United States-Saudi relationship, yes. I thought your question was what was the purpose behind it. Yes, it does have a spinoff effect. What we will have to talk to the Saudis about is just exactly what it means to follow through on the President's statement.

Mr. Hamilton. Are our arms sales to Saudi Arabia going to continue at the approximate level of recent years. Those levels, as I understand it, have jumped around quite a bit. We have had $4 billion in 1978 and $6½ billion in 1979, and now I understand about $2 billion—excluding military construction—in 1980; but they are high. Are they going to be continuing?

Mr. O'Donohue. I think, as you point out, there is an up-and-down effect.

Looking to the future it depends on the question of major new purchases, which at this point I can't identify, but if you are talking about the Saudi program being a large one and continuing to be a large one, obviously yes. The Saudi program for fiscal year 1980 includes $2 billion in equipment sales and $3 billion in construction.

[Further information follows:]

SAUDI ARABIAN FMS ACCOUNT, FISCAL YEARS 1978-80

[In billions of dollars; figures may not total due to rounding]

	1978	1979	Fiscal year 1980		
			Actual to date	Expected to be signed	Total estimate
Equipment, follow-on support and services	$2.285	$1.947	$1.493	$0.660	$2.153
Construction	1.852	4.483	1.750	[1] 1.100	2.850
Total	4.137	6.420	3.243	1.760	5.003

[1] Includes financial disbursing services.

LINK BETWEEN PALESTINIAN ISSUE AND U.S. CREDIBILITY

Mr. **Hamilton**. You have had a number of questions, Mr. Secretary, about the relationship of the Palestinian issue to our Saudi relationship. But, would you agree that finding some way of reducing tensions on the Palestinian issue is critical to increasing U.S. credibility in the Persian Gulf region, in general, and in Saudi Arabia, in particular?

Mr. **Saunders**. I would. I have thought a lot about this. I want to elaborate, if I might, in just a couple of sentences.

I do not believe that reasonable progress on the West Bank and Gaza, the autonomy negotiations which involve the Palestinians, or even a resolution of the political relationship between them, would be a panacea. It would not end all of the problems that we have talked about in the gulf.

What it would end is the sense in the gulf, that the United States is not interested in a fair resolution of the Palestinian problem.

One of our biggest problems in these countries we are talking about today is that we go to them and say: The Soviets have invaded Afghanistan; the Soviet threat has increased. It is an increased threat, and you have to be concerned. We are taking steps; you have to cooperate. They say in response, yes, that is true; there is another security threat, and it has to do with the lack of an Arab/Israeli settlement. You are on the wrong side of that issue in our eyes, and, therefore, how can we be seen to be collaborating closely with you in dealing with one threat while you are not working fairly in dealing with the other threat?

Mr. **Hamilton**. So in a sense, then, it would certainly help our credibility in the area if we had progress on the Palestinian issue.

Mr. **Saunders**. Yes; it would, but the dynamic that will drive our work in the negotiations is the dynamics of the negotiations, themselves, and, second, a resolution or success in those negotiations will not solve all of the problems in the gulf. Therefore, we are not going to go at the negotiations with the thought in mind that we have to succeed here in order to shore up our position in the gulf. That is not the motivation.

Mr. **Hamilton**. I understand.

UNITED STATES-OMANI RELATIONSHIP

Let me direct your attention to the United States-Omani relationship for just a moment. We concluded an agreement which gives us access to certain facilities in Oman. How long does that agreement run?

Mr. O'DONOHUE. The access agreement with Oman was concluded on June 4. 1980. It entered into force on that date and has an initial term of 10 years.

Mr. HAMILTON. Does that agreement express the total agreement?

Mr. O'DONOHUE. The access agreement expresses the total agreement as it applies to the use of Omani facilities. It was reached in the context of establishing a framework for bilateral cooperation relating to economic development and trade, and to defense equipment, training and development. At that time we informed the Omanis of our intentions in regard to security and economic assistance, and expressed our interest in the security and independence of Oman. Since then, we have signed agreements relating to the formation of a Joint Economic Commission. The Congress has been kept informed of these actions.

Mr. HAMILTON. Is there a Presidential letter relating to the agreement? I don't know anything about the contents of that letter.

Mr. O'DONOHUE. I will have to check on that.[1]

Mr. HAMILTON. So far as I know, no members have been briefed on that Presidential letter.

Under that agreement does our access differ in peace or war, or do we have the same access under both circumstances?

Mr. O'DONOHUE. The access agreement does not differentiate between situations of peace or war. As a practical matter, the kinds of use we might make will probably vary according to the situation.

Mr. HAMILTON. Will Oman own all improvements at the facilities where U.S. construction takes place?

Mr. O'DONOHUE. The facilities to which we will have access will remain the property of the host government. Under the provisions of the access agreement, we will, in coordination with them, be able to make improvements to those facilities. The host government will, however, own all such improvements to real property.

Mr. SAUNDERS. The problem is most of the attachments are classified, and I think Mr. Bartholomew went over that in closed session, but when you have the package of agreements, all of this will be answered by the documents themselves.

Mr. HAMILTON. Let me be specific about some of the questions we are interested in. I want to know whether the United States will have priority use of any of the facilities. I want to know if our access will differ in peace or in war. I want to know what happens if the facilities come under internal or external attack. And I want you to describe for us what approval by, or consultation with, the Omanis is required in the case of planned visits or exercises in peacetime and staging for combat use.

My request is very modest, as you can see.

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[1] The subcommittee pursued the matter privately with the executive branch.

Mr. O'Donohue. The facilities will remain under host government control, and we will share their use. If the facilities come under attack, we would consult with the Omanis on an appropriate response, and we would, of course, comply with any applicable requirements of the War Powers Resolution. No approval or consultation is required for routine use, which is subject only to advance notification. As is the case elsewhere, we consult on other uses.

Mr. Saunders. I think all that is in the documents themselves.

AID TO OMAN

Mr. Hamilton. Is there any relationship between the facilities access agreement and the aid that we are going to give Oman?

Mr. O'Donohue. In the context of the broader relationship that was established, which is one that includes economic and security assistance, this is part of that general package.

Mr. Hamilton. So if the U.S. Congress says we are going to cut it or deny the aid, what happens to the agreement?

Mr. O'Donohue. From our point of view we stated very clearly our intention is to seek the congressional authority.

Mr. Hamilton. So, in your view, then, if we were to do that, we would still have the access to the facilities?

Mr. O'Donohue. I think that the Omanis would view the establishing of this broader relationship involves not simply the use of the facilities but——

Mr. Hamilton. So would we, or would we not, have access to the facilities? Suppose the U.S. Congress said, no, we are not going to give you that.

Mr. O'Donohue. That would be a matter we would have to discuss with them, but as far as the agreement, itself, they have signed.

Mr. Hamilton. And the expectation of the Omanis is they will receive the amount of money specified?

Mr. O'Donohue. Yes. However, the need for appropriate congressional action was quite clear.

Mr. Hamilton. Our new security relationship with Oman involves an assistance package for that country that apparently includes $25 million in FMS credits in both fiscal year 1980 and fiscal year 1981; $5 million in ESF grant funding in fiscal year 1980; $90 million in Eximbank financing in fiscal year 1982 and fiscal year 1983, and access to certain military equipment. ESF will also be provided in 1981.

Mr. O'Donohue. However, the $5 million ESF is the total for the 1980–81 period, not individual amounts for each year.

Mr. Hamilton. You have a specific provision in the Foreign Assistance Act which prohibits granting assistance to economically developed countries. Oman has a per capita income of $4,000. Have you made a determination that Oman can receive grant aid consistent with the terms of section 620(m)?

Mr. Twinam. We considered that question.

Mr. Hamilton. I am glad you did.

Mr. Twinam. We concluded that Oman has the characteristics of a developing country despite a higher per capita income.

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Mr. Hamilton. So you are going to say they are entitled to the assistance despite section 620(m)?

Mr. Twinam. At this stage.

Mr. Hamilton. And you do that on the basis that they are not an economically developed country, even though they have a very high per capita income.

Mr. Twinam. That is correct.

Mr. Hamilton. Have you made that determination to us in writing at this point?

Mr. Twinam. No: we have not.

Mr. Hamilton. Will you do so?

[The information requested follows:]

APPLICATION OF SECTION 620(m) OF THE FOREIGN ASSISTANCE ACT TO OMAN

Section 620(m) of the Foreign Assistance Act of 1961, as amended, with certain limited exceptions, prohibits the furnishing of assistance on a grant basis under the Act to "any economically developed nation capable of sustaining its own defense burden and economic growth. * * *" This statutory prohibition is not a legal bar to the proposed grant assistance to Oman, even though that country has a high per capita income.

The legislative history of section 620(m) shows that the Congress did not intend to require the application of any single test or rigid set of tests to determine the meaning of the term "economically developed nation capable of sustaining its own defense burden and economic growth." To the contrary, a definition of this term proposed by the Senate was specifically rejected by the Committee of Conference in favor of leaving the statute's application as a "matter of reasonable judgment." See H.R. Rep. No. 1006, 88th Cong., 1st Sess. 30 (1963).

In applying the statute since its enactment in 1963 the Executive Branch has looked to a number of factors in attempting to formulate reasonable judgments. In particular, evaluations by the OECD and the World Bank have provided useful data in assessing the capabilities of particular countries.

With respect to Oman, while oil exports have substantially increased per capita GNP since 1967 (when its per capita GNP was less than $100), this recent income has not been sufficient to overcome Oman's substantial development needs. The World Bank Development Report for 1979, for example, cites serious deficiencies in Oman's education and health care systems and in the production of food through the subsistence agriculture by which the vast majority of the population attempts to earn a livelihood. Living conditions are primitive, and there is a high rate of infant mortality. The OECD publication *Development Cooperation* for 1979 describes Oman as a "higher income developing country."

Consideration has also been given to the fact that Oman continues to receive assistance from neighboring countries to help it sustain the burdens of defense and economic development. It is evident that the donors do not regard Oman as capable of meeting these burdens on its own.

In conclusion, Oman's recently increased income from oil exports has improved the prospects for development but has not yet transformed Oman into an economically developed nation. The other relevant factors described above provide an ample basis for a reasonable judgment that Oman's economy remains underdeveloped and that Oman is not yet capable of sustaining its own defense burden and economic growth.

Mr. Hamilton. Mrs. Fenwick.

Mrs. Fenwick. You said something about priority use or would it be exclusive use?

Mr. O'Donohue. There has never been any discussion of exclusive use. The facilities are Omani and will remain under Omani control.

Mr. Hamilton. Does the United States now plan in excess of $200 million in military construction in Oman over the next 3 years?

Mr. Saunders. We prefer actually taking all this up in the briefing.

Mr. Hamilton. Why are you so hesitant? Have these figures been made public?

Mr. Saunders. They may have been. But we would like to get someone up from defense about this.[2]

ARMS FOR OTHER PERSIAN GULF STATES

Mr. Hamilton. With regard to Bahrain and Qatar and the United Arab Emirates, they have at various times expressed an interest in U.S. military equipment, including fixed-wing aircraft, tanks, howitzers, and the like. Does that interest still exist today?

Mr. Twinam. We have no indication, Mr. Chairman, of any current Bahraini or Qatari interest in fixed-wing aircraft.

Mr. Hamilton. How about other equipment?

Mr. Twinam. Yes. There has been some discussion of the antitank weapon. There has been no definitive response. We have supplied some helicopters to Bahrain, but have no current request from them, and there has been some discussion of the antiaircraft system with Bahrain.

Mr. Hamilton. Anything with regard to the Emirates?

Mr. Twinam. There have been discussions of a variety of infantry and armored equipment, but no definite orders for specific amounts of equipment at this time. There has been some very general interest in the aircraft side of their air defense program.

Mr. Hamilton. Have we indicated to any of those countries that we are prepared to recommend that the Congress approve supplying of that equipment?

Mr. Twinam. In connection with the I–Hawk, we have indicated this and with the TOW we are prepared to discuss with them a proposal that would be subject to congressional approval.

With respect to the UAE armored infantry equipment, they understand we would submit to the Congress at the end of these discussions anything they might decide they want and that we would agree to sell.

Mr. Hamilton. This subcommittee will stand in recess while we vote.

[Brief recess.]

PALESTINIAN ISSUE AND INSTABILITY

Mr. Solarz. Mr. Secretary, let me compliment you for what I thought was a very meaningful response to the question on the significance of the Palestinian problem in the context of the larger difficulties confronting the countries of the Middle East. However desirable it would be to solve it, it would not in and of itself constitute a panacea for other problems in the area. I think we have an understandable obsession with trying to solve the problem.

We tend to overlook the fact that even if it were resolved, there would be many festering difficulties that would remain.

Mr. Saunders. I am concerned with precisely that fact. I don't want to be party to that reasoning.

Mr. Solarz. That is why I appreciated the response.

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[2] The Department of Defense has indicated that this information is classified.

Leaving aside the internal difficulties with Syria, the conflict between Baghdad and Damascus, some of the potential problems in Saudi Arabia, the difficulties Qaddafi is experiencing, and Iran, even Lebanon, where you can say that a large part of the problem is due to the presence of several hundred thousand Palestinians, it seems to me under any conceivable resolution of the Palestinian problem most of those Palestinians would remain in Lebanon. Even there I suspect instabilities would continue, following the resolution of that problem.

SECURITY COUNCIL ABSTENTION

I am not clear why we abstained on the vote recently in the Security Council on Jerusalem, particularly after the eloquent, and I thought rather effective, statement by Secretary Muskie about why we thought it was a pernicious proclamation, and didn't recognize that it had the force of law. After that speech, abstaining seemed to be anticlimactic, to put it charitably. Why did we abstain rather than veto?

Mr. SAUNDERS. I think that speech also stated there were certain elements in the situation which caused us not to be able to vote against the resolution. The speech covered both sides of the argument and therefore came out with abstention.

Mr. SOLARZ. We don't veto only those with which we disagree with the issue 100 percent. Surely we must occasionally cast votes against resolutions, part of which we don't find objectionable, but the major thrust of which we feel does deserve a veto.

Mr. SAUNDERS. In each of these resolutions, you have to look at and calculate the various elements on the positive and negative sides, and in each one you may come out differently. In this case the judgment was to come out with a distinction.

Mr. SOLARZ. If these are decided on a case-by-case basis—in this particular instance the logic of abstaining—frankly, escapes me.

JERUSALEM ISSUE

Why were the Arabs so upset by the passage of this Knesset announcement that Jerusalem is the capital of Israel, given the extent to which since 1967, Israel, on the basis of various administrative rulings has, in effect, treated all of Jerusalem as its capital?

It was hard to see any fundamental or even minimal change in the status quo as a result of the passage of this resolution. Yet it triggered off this apparently enormous response.

Mr. SAUNDERS. From the Arab point of view, it fell into the atmosphere of intense frustration that I have described. They feel that the Israelis have not shown an intention to negotiate about the West Bank and Gaza in good faith, and they feel that the emplacement of settlements on the West Bank is an indication of an Israeli policy to annex. They feel that this particular announcement on Jerusalem was another indication that the Israelis did not intend to seek a solution through negotiation.

Mr. SOLARZ. But the Israeli position on Jerusalem, whether one likes it or dislikes it, has been clear since 1967, and certainly since the Camp David Agreement.

In other words, if the Knesset adopted a resolution annexing the Golan Heights, that would be a new factor; that would be something different. But this simply ratified what already was the case insofar as Israel was concerned.

Mr. **Saunders.** You are asking about the Arab point of view?

Mr. **Solarz.** Right.

Mr. **Saunders.** They have never accepted the moves that Israel has made in East Jerusalem since 1967, and, therefore, the Arabs saw this particular ratification—as you called it—as a move at a specially sensitive time in a negotiating context——

Mr. **Solarz.** Do they feel it has changed the situation in any substantive way?

Mr. **Saunders.** I think you reach a moment in a situation like this where an act crystallizes a lot of feelings that have been building up, not necessarily all feelings that relate to the subject at hand. But as I say, there has been intense frustration about the general situation.

Mr. **Solarz.** Have they made a case that it has changed the situation substantially? Surely we must have said to them, what I am going to say to you now: This really hasn't changed anything. How did they respond?

Mr. **Saunders.** They have not made a legal analysis of that bill. They see it as a political act which in their view dramatizes an Israeli policy which they do not feel is consistent with what we have characterized to be the purpose of the neogtiations.

Mr. **Solarz.** I gather it is our view that the status of Jerusalem is, in fact, very important to the Arab countries and is one of the major issues in dispute.

Mr. **Saunders.** Yes.

Mr. **Solarz.** I have traveled throughout the Arab world. I have heard how much importance Moslems attach to it in different Arab countries in varying degrees. Yet if, in fact, it is a matter of such great importance, how do you account for the fact that between 1949 and 1967, when East Jerusalem was under Arab sovereignty, I gather—I could be wrong—that only one Arab chief of state actually went to Jerusalem? I think the King of Morocco. None of the other Arab leaders went to Jerusalem. That would, at least on the surface, seem to suggest in the past it wasn't as important to them as they claim it is now. Could you put that fact in the context of their present attitude toward Jerusalem?

Mr. **Saunders.** First, I don't know whether the fact is true or not. Second, we are in a period when we are asking all sides to consider compromises that would resolve a 30-year-old dispute. I think that when you get into an intensified negotiating situation, and when you have the prospect of resolving that problem, the issues that were there all along then come to the fore and people begin to feel more strongly about them.

Mr. **Solarz.** Let me rephrase the question. This is done not to embarrass anybody but to try to get a genuine understanding of attitudes. Presumably Jerusalem is important to the Arabs because of its religious significance. The Prophet began a journey from there, and they often say it is the third most holy city in Islam.

Given the extent to which the Israelis have been providing access to the holy sites to people of all religions and explicitly have said they would undertake a guarantee of safety of any Arab who came to worship in Jerusalem, why are they so insistent on returning Arab sovereignty to East Jerusalem as distinguished from arrangements which would institutionalize guaranteed access to the holy sites, themselves, but which wouldn't address the question of sovereignty?

Mr. **Saunders.** You are asking about the Arab point of view?

Mr. **Solarz.** Yes.

Mr. **Saunders.** The Arabs feel that having Islamic shrines under Israeli sovereignty is not something that they can accept. I think the ultimate answer about the arrangements in Jerusalem would have to depend on the specific arrangements that can be worked out.

Mr. **Solarz.** Why can't it be accepted that access, freedom of worship, is guaranteed? What is it about the Arab psyche that makes that unacceptable? From the Israeli point of view I would imagine they would argue until 1967 they didn't have the right of access to their holy places in East Jerusalem and therefore the Arab track record isn't a very good one, whereas since 1967 they have given that access. So why isn't it acceptable?

Mr. **Saunders.** I don't know that there is a good answer to that. I suppose that any party that considers the site of great importance to it feels that having it under someone else's control is not acceptable. The Israelis, of course, feel it is unacceptable to allow Arab sovereignty in East Jerusalem.

STATE OF NO-WAR-NO-PEACE

Mr. **Solarz.** One of the great lessons of the 1973 war was that a state of no-war-no-peace was unacceptable to the Arabs. Do you believe that is still true today? In other words, supposing, despite our best efforts, it becomes clear that the Camp David process is going nowhere. Let's even hypothesize that the negotiations themselves, at some point have terminated after a Herculean effort to get agreement and it is clear that process has come to an end. Do you think that under those circumstances sooner or later another war is inevitable on the grounds the Arabs will not accept the state of no-war-no-peace in the absence of some other dynamic arrangements which appear to provide some hope of resolving the problem peacefully?

Mr. **Saunders.** I think the Arab world just no longer lives with a lack of solution to this problem. Therefore, warfare of some form, it would seem to me, is inevitable.

Mr. **Solarz.** You mean like a war of attrition, perhaps?

Mr. **Saunders.** Economic warfare.

Mr. **Solarz.** Economic warfare already exists in the form of a boycott.

Mr. **Saunders.** More intensified economic pressure at some point in the future.

Mr. **Solarz.** What about a military conflict?

Mr. **Saunders.** I think it is inevitable at some point in the future. I can't tell you the time.

Mr. **Solarz.** Even without Egypt's participation?

Mr. **Saunders.** I would think so; again, down the track, if and when they feel ready.

Mr. **Solarz.** If it looks as if diplomacy has reached a standstill not necessarily next year but at some point the internal pressures would build up so they would feel obligated to move forward and go to war again.

If that is, in fact, the case, have we at all thought through what we would do if and when the Camp David process does grind to a halt? Is the Geneva format viable at that time? I agree with you that Camp David presents the best hope now. But, if Camp David can't work, I am hard-pressed to think of what can. Since you are paid to have contingency plans for alternatives, what would be the next step?

Mr. **Saunders.** I think there are a number of ways of treating this. There is no administration position on that obviously because the main attention is going into making this process work. I am fully committed to that, but I am also confident that if it runs into blind alleys, we will find some way to keep the process going.

We call this the Camp David process. It just happens to be an inherently logical approach to the problem. Therefore, I think somehow it is going to go on.

Mr. **Solarz.** You have served under both Republican and Democratic administrations, particularly in the Middle Eastern area. Do you anticipate that regardless of who wins the election in November for the Presidency, our policy in the Middle East will more or less remain the same?

Mr. **Saunders.** I obviously can't speak for people that I don't know at this point and whose policies I don't know. I can say, as I said a moment ago, before you posed that question, that there is an inherent logic in what we have done over the last 7 years in the Middle East. One step is built on previous steps, and I think whatever happens next year, it is going to have to build, and people will want it to build, on the Camp David process. I think it is also important to say therefore that there is not going to be one policy before the elections and another policy after the elections, whoever the winner of the elections is. You may find if there were a new administration, there would be some learning time; there might be tactical differences, and so on.

Mr. **Solarz.** Can you explain the kind of on-again/off-again of President Sadat toward these autonomy negotiations? Frankly, I am a little puzzled. I agree he is committed to the process; certainly his reputation is at stake and I think he does see this as the way to peace. Yet he has called off these negotiations three or four times; only to resume them. It doesn't exactly convey an impression of constancy here.

Mr. **Saunders.** What is constant is his commitment to the success of the process. I think what has caused the doubts about the ways in which we were proceeding were the concerns——

Mr. **Solarz.** But everybody has doubts in negotiations and disappointments. Isn't it unusual behavior to cancel negotiations and then go back to them over and over again.

Mr. **Saunders.** I guess I have had so many ups and downs in these negotiations over the last 7 years, my interest is that they continue at all.

Mr. SOLARZ. Do you think he has canceled them in response to political pressures internally within Egypt or the Arab world, or asically because he feels tactically he has to do so?

Mr. SAUNDERS. First of all, he has never canceled. He has suspended, ut I think it has always been in terms of what is needed to make the egotiations reach a successful conclusion.

Mr. SOLARZ. You don't see it as a response to pressure?

Mr. SAUNDERS. No, I really don't.

Mr. HAMILTON. We have a few questions we will submit in writing.[3] Thank you very much, gentlemen. The subcommittee stands adjourned.

[Whereupon, at 4:45 p.m., the subcommittee adjourned, to reconvene at the call of the Chair.]

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[3] See app. 8, p. 462.

APPENDIX 1

BIOGRAPHIES OF WITNESSES

HERMANN FREDERICK EILTS

Position: University Professor of International Relations and Research Professor of History and Political Science. Boston University. September, 1979.

Previous profession: Foreign Service Officer. Career Minister.

Date and place of birth: March 23, 1922. Weissenfels/Salle, Germany.

Personal history: Immigrated to the United States in 1926 with his parents. American citizenship obtained in 1930 through derivation from father.

Education: Primary and secondary schools, Scranton, Pennsylvania; Ursinus College, Collegeville, Pennsylvania, 1939–42. B.A.; Fletcher School of Law and Diplomacy, Medford, Massachusetts, 1942; School of Advanced International Studies of Johns Hopkins University, Washington, D.C., 1946–47. M.A. (with distinction); Foreign Service Institute, Washington, D.C., 1950. Arabic and Middle East Studies; University of Pennsylvania, Philadelphia, Pennsylvania, 1951–52. Middle East Studies; Dropsie College, Philadelphia, Pennsylvania, 1951–52. Middle East Studies; National War College, Washington, D.C., 1961–62. Diploma (with distinction); Army War College, Carlisle, Pennsylvania, 1972. Diploma (with distinction).

Military service: United States Army, 1942–46. First Lieutenant, Military Intelligence No. African and European Theatres of Operation.

Decorations: Purple Heart, Bronze Star, Seven European/No. African Campaign Stars.

Marital status: Married to former Helen Josephine Brew; Two sons; Conrad Marshall Eilts, Frederick Lowell Eilts.

Professional service: July, 1947—Joined Foreign Service through examination process; 1947–48—Third Secretary, American Embassy Tehran, Iran (consular and administrative work); 1948–50—Third Secretary, American Embassy Jidda, Saudi Arabia (economic and political work); 1951–53—Consul and Principal Officer, American Consulate, Aden, Arabia (concurrently accredited as Second Secretary to nonresident American Legation, Taiz, Yemen, and American Consul, British Somaliland); 1954–56—Second Secretary, American Embassy, Baghdad, Iraq (Chief of Political Section); 1957–59—Department of State, Washington, D.C. (Officer-in-Charge, Baghdad Pact (CENTO) SEATO Affairs); 1960–61—Department of State, Washington, D.C. (Officer-in-Charge, Arabian Peninsula and Near Eastern Regional Affairs); 1962–64—First Secretary, American Embassy London, England (Political Officer handling all Middle East and Cyprus Affairs); 1964–65—Counsellor and Deputy Chief of Mission, American Embassy, Tripoli, Libya; 1965–70—United States Ambassador to Saudi Arabia, Jidda, Saudi Arabia; 1970–73—Diplomatic Advisor, Army War College, Carlisle Barracks, Pennsylvania; 1973–79—United States Ambassador to Egypt, Cairo, Egypt.

Honors: Department of State—Distinguished Honor Award. 1979; Joseph C. Wilson Award, 1979; Department of the Army—Distinguished Civilian Service Decoration. 1972; Arthur S. Flemming Award—for distinguished government service. 1953; Ursinus College—LL.D. 1959; Boston University—LL.D. 1978; Dickinson School of Law—LL.D. 1978; Cairo University, Cairo, Egypt—Ph. D. 1979; Juniata College—L.H.D. 1980; Ursinus College—Alumni of the Year Award. 1974; Johns Hopkins University—Distinguished Alumnus Award. 1980.

HON. R. W. KOMER

Present position: Under Secretary of Defense for Policy.

Born: 23 February 1922, at Chicago, Illinois.

Schools: Harvard College, B.S., 1942; Harvard Graduate School of Business Administration, M.B.A., 1947; National War College, 1957.

Career highlights: 1943–46 U.S. Army, Service in G–2, Fifth Army Hq., Allied Force Hq., Office of Military History; 1947–61 Central Intelligence Agency; 1958–61 Alternate NSC Planning Board Member and Staff Assistant; 1961–65 Senior Staff Member, National Security Council; 1965–66 Deputy Special Assistant to the President for National Security Affairs; 1966–67 Special Assistant to the President; 1967–68 Deputy to COMUSMACV for CORDS (with rank of Ambassador); 1968–69 U.S. Ambassador to Turkey; 1969–76 Consultant with Rand Corporation; Jan/Sep 77 Consultant to the Secretary of Defense; Sep 77–Oct. 79 Advisor to Secretary of Defense on NATO Affairs.

Awards and decorations: Presidential Medal of Freedom, 1967; SecState's Distinguished Honor Award, 1968; Department of Defense Medal for Distinguished Public Service, June 1978; National Order of Vietnam; Vietnam Gold Economy Medal; Revolutionary Development Medal (Vietnam); Bronze Star—1944.

Published works: Contributor of many articles to periodicals, including Washington Post, Foreign Policy, Army, Infantry Journal, and Military Affairs.

Recent articles include: "Looking Ahead," International Security, Summer 1979, Vol. 4, No. 1. "The Origins and Objectives," NATO Review, June 78, #3 (NATO's Long Term Defense Programme). "Ten Suggestions for Rationalizing NATO," Survival, Mar/Apr 77, Vol XIX #2 "Coalition Warfare, When Friends Get Together," Army, Sep 76. "Treating NATO's Self-Inflicted Wound," Foreign Policy, Vol 13, Winter 1973–74. "Bureaucracy Does Its Own Thing: Institutional Constraints on US–GVN Performance in Vietnam," Rand Corp., Aug. 72.

Gen. Richard L. Lawson

General Richard L. Lawson is the U.S. representative to the Military Committee of the North Atlantic Treaty Organization, Brussels, Belgium.

General Lawson was born Dec. 19, 1929, in Fairfield, Iowa, where he graduated from high school. He attended the University of Iowa and graduated from Parsons College in 1951 with a bachelor of science degree. He graduated from the Air Command and Staff College at Maxwell Air Force Base, Ala., in 1964 and concurrently earned a master of public administration degree from The George Washington University, Washington, D.C. He completed the National War College at Fort Lesley J. McNair, Washington, D.C., in 1969.

While at Parsons College, General Lawson enlisted in the Iowa Army National Guard and was later called to active duty as the 133rd Infantry Regiment's sergeant major at Fort Riley, Kan. He was commissioned a second lieutenant in November 1951 and assigned as adjutant for the 133rd Aircraft Control and Warning Squadron, Alexandria, La.

In May 1952 General Lawson entered pilot training at Columbus Air Force Base, Miss., and completed training at Reese Air Force Base, Texas, in July 1953. He was then assigned to the 69th Bombardment Squadron at Loring Air Force Base, Maine, as a B–36 co-pilot and aide-de-camp to Brig. Gen. Bertram C. Harrison. He accompanied General Harrison to the 72nd Bombardment Wing, Ramey Air Force Base, P.R., in July 1955. While there he continued to serve as aide to General Harrison and also Brig. Gen. H.R. Sullivan. However, his primary duty was as chief, Operations Control Division, 72nd Bombardment Wing. General Lawson returned to the United States in June 1958 and was assigned to staff officer positions in the 5th Bombardment Wing, located at Travis Air Force Base, Calif.

General Lawson transferred to Headquarters Strategic Air Command at Offutt Air Force Base, Neb., in September 1961 and served as a member of the European Force Application Team, Joint Strategic Target Planning Staff. In September 1963 he entered the Air Command and Staff College. Upon graduation General Lawson returned to SAC headquarters and was assigned as an operations planner in the Concepts Division, Operations Plans Directorate. He became chief of the Future Concepts Branch in February 1967. He entered the National War College in July 1968.

In June 1969 General Lawson moved to McCoy Air Force Base, Fla., as deputy commander for operations, 306th Bombardment Wing. In February 1970 he took command of the 28th Bombardment Wing, then deployed to the Western Pacific from Ellsworth Air Force Base, S.D. He returned to Ellsworth with the wing in March 1970.

He was assigned in July 1971 to Headquarters U.S. Air Force, Washington, D.C., in the Directorate of Operations, Office of the Deputy Chief of Staff, Plans and Operations, with duty as chief, Strategic Division, and in July 1972 was named deputy director for strategic operational forces. In February 1973 he became deputy director of operations.

In August 1973 General Lawson was appointed military assistant to the president, with duty at the White House. In March 1975 General Lawson returned to Headquarters U.S. Air Force as director of plans, and remained there until June 1977, when he was assigned as commander, Eighth Air Force at Barksdale Air Force Base, La. In July 1978 he was named director for plans and policy (J-5), Organization of the Joint Chiefs of Staff, Washington, D.C. He assumed his present duties in June 1980.

The general is a command pilot and has flown more than 7,000 hours, and during the Vietnam War flew 73 combat missions. His military decorations and awards include the Defense Distinguished Service Medal, Air Force Distinguished Service Medal with one oak leaf cluster, Legion of Merit with one oak leaf cluster, Soldier's Medal, Bronze Star Medal, Air Medal with one oak leaf cluster, Joint Service Commendation Medal, Air Force Commendation Medal with three oak leaf clusters, Army Commendation Medal, Presidential Unit Citation emblem with one oak leaf cluster and Air Force Outstanding Unit Award ribbon with two oak leaf clusters.

General Lawson was promoted to general July 1, 1980, with same date of rank.

He is married to the former Joan Graber, who is also from Fairfield, Iowa. They have four children: Leslie D., Wendy L., Richard H. and Randolph S.

JAMES M. MONTGOMERY

Mr. Montgomery is currently the Counselor of the U.S. Arms Control and Disarmament Agency. He previously served as the Acting Assistant Director of the Agency, heading the Weapon Evaluation and Control Bureau.

In 1957, Mr. Montgomery received his BA in History from Juniata College, Huntingdon, Pennsylvania. In 1960, he received his MA in History from Emory University, Atlanta, Georgia.

Mr. Montgomery is a career Foreign Service Officer who has served in a number of positions both abroad and in Washington. His first overseas assignment was in Saigon in 1960. He has also served in Mexico City and Thailand. In Thailand, he spent three years at the American Embassy in Bangkok, followed by three years as the American Consul in Chiang Mai in northern Thailand.

In 1974, Mr. Montgomery returned to the United States. Since then, he has worked in the Office of Soviet Affairs, as Special Assistant to the Counselor, as Director of the Office of Public Programs, Bureau of Public Affairs, and as Director of the Office of International Security Policy with the Bureau of Political Military Affairs.

JAMES MOOSE

Dr. James S. Moose is Deputy Assistant Secretary for International Energy Analysis with the Department of Energy. Dr. Moose is directly responsible for all DOE forecasts of world demand and supply for oil and, in addition, is responsible for most of the quantitative analysis undertaken by the International Office at DOE. In the area, Dr. Moose is actively involved in trying to expedite the Alaska natural gas project and monitors the pricing of Canadian and Mexican natural gas.

Prior to joining the Department of Energy, Dr. Moose was Vice President and Senior Partner in the Boston based investment management firm of Loomis Sayles, Inc. At Loomis, Dr. Moose was chief forecaster and shared responsibility for Loomis' investments in the energy area. Prior to joining Loomis, Dr. Moose was educated at Harvard University where he took his B.A., M.A. and Ph. D., all in economics or finance. He also attended Oxford University on a Rhodes Scholarship where he took an M.A. in philosophy.

Dr. Moose was born in the Middle East and grew up in that area.

DANIEL A. O'DONOHUE

Born: October 27, 1931, Michigan.

Education: University of Detroit—BS, 1953; Wayne State University—MPA, 1958.

Marital status: Married, 5 children; wife, Mary Miney.

Military service: U.S. Army, 1953–55.

Experience: Budget Examiner, State Government—1956–57.

Government experience: 1957–59—Consular Officer, Consulate General, Genoa; 1960–64—Political Officer, American Embassy, Seoul; 1964—International Relations Officer, Department of State; 1968–71—Political Section Chief, American Embassy, Accra; 1971–72—Student, Army War College; 1972–74—Political Counselor, American Embassy, Seoul; 1974–76—Director, Office of Korean Affairs, Bureau of East Asian and Pacific Affairs, Department of State; 1976–77—Executive Assistant to the Under Secretary for Political Affairs, Department of State; 1977–78—Deputy Chief of Mission, American Embassy, Bangkok; November 1978-present—Deputy Director, Bureau of Politico-Military Affairs, Department of State.

WILLIAM B. QUANDT

William B. Quandt is a Senior Fellow at the Brookings Institution. From January 1977 to mid-1979, he served on the National Security Council staff where he dealt with Middle Eastern affairs. He is the author of several books, most recently "Decade of Decisions: American Policy Toward the Arab-Israeli Conflict, 1967–1976."

GERALD A. ROSEN

Mr. Rosen was born in New York City on December 25, 1929. He received a B.A. degree from Swarthmore College in 1951, an M.A. from the Fletcher School of Law and Diplomacy in 1956, and a J.D. from George Washington University Law School in 1970. He served in the U.S. Coast Guard from 1952–54.

Mr. Rosen joined the Department of State in 1958. His assignments have included: Intelligence Research Specialist (S.E. Asia) in the Office of Intelligence and Research (1958–60); Economic Officer, Embassy Manila (1960–62); Economic Officer, Embassy Karachi (1963–65); Political and Economic Analyst for South Asia, Office of Intelligence and Research (1966–69); Industry and Energy Advisor to the United States Mission to the Organization for Economic Cooperation and Development, Paris (1970–74); Attorney-Advisor (Energy and Finance) and Acting Assistant Legal Advisor for Economic and Business Affairs, Office of the Legal Advisor (1974–77). He became Director of the Office of Fuels and Energy, Bureau of Economic and Business Affairs, in July 1977, and became Acting Deputy Assistant Secretary for International Energy Policy in March 1980. Until recently he was Chairman, Standing Group on Long Term Cooperation of the International Energy Agency.

Mr. Rosen received the Department of State's Meritorious Honor Award in 1969.

LT. COL. JOHN J. RUSZKIEWICZ, USA RETIRED

Military Attache to North Yemen—April 1978 to January 1980;

Basic branch: Military intelligence.

Education: BS Cornell University 1957; MBA Cornell University 1958; MA Harvard University 1970 (Middle Eastern studies).

Military career highlights: Three years of paratrooper duty; two tours of duty in Turkey; two tours of duty in Vietnam (one with special forces); graduate of Command and General Staff College; graduate of Defense Language Institute in three languages (Turkish, French, Arabic);

Assistant professor: Department of Social Sciences, West Point.

Military attaché to North Yemen.

Present occupation: Vegetable farming, Pine Island, N.Y.

HON. HAROLD H. SAUNDERS

Harold H. Saunders, of Pennsylvania, was sworn in April 11, 1978, as Assistant Secretary of State for Near Eastern and South Asian Affairs.

Mr. Saunders was appointed Director of the Bureau of Intelligence and Research in the State Department in December, 1975. Previous to this appointment he served as Deputy Assistant Secretary for Near Eastern and South Asian Affairs from July 1974 through November 1975, where his special area of responsibility included the states of North Africa, the Arab states north of the Arabian Peninsula and Israel. He came to the State Department from the National Security Council Staff in the White House.

Mr. Saunders was born in Philadelphia in 1930 and grew up there. He received his A.B. from Princeton in 1952 and a Ph.D. from Yale in 1956 in American Studies. He served as an officer in the U.S. Air Force from 1958–59, was detailed to the Central Intelligence Agency, and stayed on until 1961 as a civilian after release from active duty. Between 1959 and 1965 he also taught evening classes in American history in the College of General Studies of the George Washington University.

Mr. Saunders joined the National Security Council Staff in 1961 working on the Near East, South Asia, and North African areas, and became senior staff member for that area in 1967. He has accompanied Secretaries Kissinger and Vance on all of their Mid-East trips and participated in the Arab-Israeli negotiations in 1973–75 and at Camp David as well as accompanying the Secretary or the President on trips to Europe, South Asia, Moscow, Vladivostok, Peking, Africa, and Latin America in the period 1969–1978.

Mr. Saunders is a widower with two children, Catherine and Mark.

JOSEPH WRIGHT TWINAM

Joseph Wright Twinam, Director of Arabian Peninsula Affairs in the Department of State, previously served as the first resident United States Ambassador to the State of Bahrain.

A career Foreign Service Officer since 1959, Mr. Twinam served first in the Bureau of Economic Affairs in the Department of State, then as Vice Consul in Amsterdam. In 1964 he went to Kuwait as the Economic/Commercial officer, then to the Foreign Service Institute's School of Arabic Language and Area Studies in Beirut, and subsequently to American Embassy Jidda as the Principal Political Officer.

In 1970 Mr. Twinam returned to the Department's Country Directorate for the Arabian Peninsula as Desk Officer for Kuwait, Bahrain, Qatar, and the Trucial States (now United Arab Emirates) during the period the latter four states achieved full independence. From late 1971 until the following spring he was Acting Country Director for the Peninsula. Subsequently he was the Department's Personnel Officer primarily concerned with assignments to the Middle East and temporarily acted as Special Assistant to the Director General of the Foreign Service. He was named Ambassador to Bahrain in 1974 and resigned in 1976 to take up his present position.

Born in Chattanooga, Tennessee in 1934, Mr. Twinam attended the Baylor School in that city and in 1956 was graduated from the University of Virginia with a Bachelor of Arts Degree with Honors in Political Science.

From 1956 to 1959 he served as an officer with the United States Navy. Shortly after entering the Foreign Service he did graduate work in International Relations at Georgetown University. He is a member of Phi Beta Kappa and Omicron Delta Kappa.

Mr. Twinam is married to the former Janet Carolyn Ashby of Parkersburg, West Virginia. They have two children, a daughter, Courtenay Jane, and a son, Marshall Ashby. Since 1970 the Twinams have been residents of Virginia.

MARVIN ZONIS

Associate Professor of Behavioral Science, University of Chicago (1974–present).

Candidate, Institute for Psycho-Analysis, Chicago.

Director, Center for Middle Eastern Studies, University of Chicago (1966–1980).

Chairman, Committee on the Middle East of the Social Science Research Council (1970–1976).

President, American Institute of Iranian Studies, New York (1969–1971).

B.A., Yale, 1958.

Ph.D. Massachusetts Institute of Technology, 1968.

APPENDIX 2

SPEECH BY FORMER SECRETARY OF STATE CYRUS VANCE, MARCH 3, 1980

AFGHANISTAN: AMERICA'S COURSE

Following is an address by Secretary of State Cyrus Vance before the Chicago Council on Foreign Relations, Chicago, Illinois, March 3, 1980.

The Chicago Council on Foreign Relations has a proud tradition as a forum where major world issues can be explored and discussed. For nearly 60 years, this organization has been a center of thought, education, and reasoned debate on America's course in the world.

I want to speak with you today about that course. For as much as at any time in recent years, it is essential that our people be clear about our nation's goals and about the actions we are prepared to take in their pursuit.

As long as Americans remain in captivity in Iran, their safe release is uppermost in all our minds. The situation is now at a delicate and difficult stage. It would not be proper for me to comment on that situation in detail today.

Let me simply say that our objective is to bring the present crisis to an early end. We expect the work of the U.N. commission of inquiry to contribute to that objective. Our hostages must be released and safely returned to the United States. At the same time, we hope for an independent and secure Iran and have no desire to interfere in its internal affairs.

Today, I want to speak with you about another serious challenge we face: Soviet aggression against Afghanistan and the actions we have taken in response. Specifically, I want to discuss the purposes that underlie our actions and how they relate to the long-term goals of American foreign policy.

Let me begin by underscoring what is at stake.

Because of our commitment to the principles of national independence, territorial integrity, and human rights, we cannot turn our backs when national boundaries are violated, when the independence of another nation is destroyed, when the popular will is suppressed through brute military force.

What is at stake first in Afghanistan is the freedom of a nation and of a people.

We are concerned as well with the broader threat that Soviet actions pose to the region of southwest Asia and the Persian Gulf. We now depend upon this area of the world for roughly 25% of our annual imports of oil. Our allies and others—developing nations as well as industrial—are even more dependent on oil from this region. Approximately two-thirds of Western Europe's oil imports and three-fourths of Japan's come from the Persian Gulf. And we must remember that our own economic health is intimately tied to theirs.

Our stake in the region, however, goes beyond oil, beyond economics.

Peace and stability in the region are critical to the future of our friends there. The strength and skill we show in supporting their independence will demonstrate to them and to others the constancy of our purpose. This is important to the character of our alliances, to our ties to friendly nations in every region of the world, and to the future of our relations with the Soviet Union.

So it is entirely accurate to say that the vital interests of the United States—

in fact, of much of the world—are involved in this region. An attempt by any outside force to gain control of the Persian Gulf region would be an assault on these vital interests. As the President has said: It ". . . will be repelled by any means necessary, including military force."

Not even the most penetrating analysis can determine with certainty Soviet intentions in the region—whether their motives in Afghanistan are limited or part of a larger strategy. The fact is that tens of thousands of Soviet troops are in Afghanistan. The fact is that Soviet actions have created a potential threat to the security of nations in the region and to the world's free access to vital resources and shipping routes.

To respond firmly to the potential threat is not to be apocalyptic; it is simply to be prudent. In such a situation, our own people, our allies—and the leaders of the Soviet Union—must understand not only what the United States is doing in this crisis, but why.

A few days ago, I went to Europe at the President's request to consult with a number of our allies about the Soviet invasion of Afghanistan. We discussed our common interests and our common responsibilities. I explained how America's actions support five key objectives. Today I want to outline them briefly for you and for the larger audience beyond this room.

U.S. Objectives

Our first purpose is to impose a heavy price for this aggression—because of our abhorrence of what is being done to the Afghan people and to help deter similar actions elsewhere. The Soviet leadership must understand that the international reaction to aggression will be swift and firm.

The steps we have taken—on grain, on technology, on the Olympics, on fisheries, and in other areas—convey our determination in the clearest terms. These measures do not stand alone. For the Soviets are facing staunch, broadly based Afghan resistance. And they have been condemned by the overwhelming majority of nations in the world.

The measures we have taken involve sacrifice—for our farmers and our businessmen, our athletes, our scientists—indeed, for all of us. But the American people are prepared to make sacrifices for the peace we cherish.

The steps we have taken are also designed to move us toward our second goal: the withdrawal of all Soviet military forces from Afghanistan.

Let me affirm today that the sanctions we have undertaken in response to the Soviet invasion will remain in force until all Soviet troops are withdrawn from Afghanistan. Let me be equally clear that when those actions cease—when Soviet troops are fully withdrawn from Afghanistan—our intention is to remove the sanctions we have imposed since the invasion of that nation.

To encourage that withdrawal, we are also ready, as the President has said, to support efforts by the international community to restore a neutral, nonaligned Afghan Government that would be responsive to the wishes of the Afghan people. With the prompt withdrawal of Soviet troops from Afghanistan, the United States would be willing to join with Afghanistan's neighbors in a guarantee of Afghanistan's true neutrality and of noninterference in its internal affairs. Such a political settlement would put an end to brutality and bloodshed in Afghanistan. It would threaten the interests of no nation; it would serve the interests of all.

But let me be frank. There are no signs at this time of a Soviet withdrawal. If anything, current signs point to the contrary, the Soviet buildup continues, and permanent facilities are being constructed.

This makes our third objective all the more important. While imposing penalties for aggression for as long as necessary, it is deeply in the interests of the United States and our allies to manage East-West relations in ways that preserve their essential framework.

Our relations with the Soviet Union have been and will be essentially competitive. Our fundamental values differ. Our interests frequently diverge. We will promote our interests and our values, and we will oppose aggression. But our competition must be bounded by restraint and by sensitivity to each other's vital interests. For such a relationship between the two superpowers is central to peace.

We seek no return of the cold war, of the indiscriminate confrontation of earlier times.

We will continue to pursue our national interests in balanced and verifiable arms control agreements—in the SALT process, on conventional and theater nuclear forces in Europe, on banning tests of nuclear weapons, and in other areas. Specifically, the offer to negotiate an agreement on limiting theater nuclear forces in Europe remains on the table. The Soviet Union should pursue it with us.

Our nation has benefited from the arms control agreements we have achieved. In 1963, we halted poisonous nuclear weapons tests in the atmosphere. The SALT I Interim Agreement froze the number of offensive strategic missiles when the Soviets were building up in this area and we were not. The Antiballistic Missile Treaty headed off a potentially costly and destabilizing arms race in these defensive weapons.

The SALT II Treaty we have negotiated also serves America's security interests. It would restrain Soviet strategic programs through 1985. It would limit the future threats we will face and thus make our own defense planning more certain. It would preserve our ability to monitor Soviet strategic developments. And it would permit our own modernization efforts to proceed.

SALT II is not a carrot. It is not a stick. It stands on its own merits as an integral part of our national security policy. It is especially important during a time of increased tension between the two superpowers.

We remain deeply committed to ratification of the treaty. It is not in our interest to forego its security advantages. Nor is it in our interest, during a period of heightened tensions, to dismantle the framework of East-West relations that has been built over more than two decades.

To help preserve this framework, and because we adhere to international law, we are not abrogating formal agreements with the Soviet Union.

We are pursuing preparations for the next review Conference on Security and Cooperation in Europe, to be held this year in Madrid. We will continue our policy of building stronger relations with the nations of Eastern Europe. And we remain prepared to build a more stable relationship with the Soviet Union when circumstances permit.

Our fourth objective is to work with the nations of southwest Asia and with others to strengthen the security, stability, and independence of the region.

We firmly believe that the nations of the region should control their own destinies. Most emphatically, we believe that the resources of the region belong to its nations and peoples. Their independence poses no threat to us. The threat would lie in the loss of their independence.

We are strengthening our ability to respond swiftly and effectively if our vital interests are assaulted. We have increased our naval presence in the Indian Ocean. We have held positive discussions with nations in the area on U.S. access to air and naval facilities.

Our own military preparedness, however, is only one element of our strategy in the region. Creating a framework for security cooperation in the region must, of its essence, be a cooperative undertaking.

This means that we will work with the nations of the region to help strengthen their ability to defend their independence and enhance their political and economic stability. It means that we will continue to work with others toward peaceful resolutions of the tensions between nations in the region—most importantly, between Israel and her Arab neighbors. And it means that we will work to improve our relations with nations throughout the area, wherever there is a basis of shared interests. The United States welcomes the growing vitality of the Islamic world and sees in it a creative contribution to a world based on diversity and self-reliance.

Our fifth goal must be to draw from these events a renewed commitment to building the basic military and economic strength of America.

Our nation has initiated the most comprehensive modernization of our defense forces in over a decade. We will proceed expeditiously with the programs underway—to modernize each leg of our strategic forces, to implement NATO's decision last December on our theater nuclear weapons in Europe, and to upgrade our conventional forces.

Afghanistan brings the importance of those long-term defense investments into sharp focus, and it gives new focus to the need to increase our military mobility.

These programs will require increased defense budgets this year and for the foreseeable future. We must be clear in our determination to meet the requirements of safety and security for our nation and our allies.

Events in southwest Asia must also strengthen our determination to forestall a future energy disaster. For, quite simply, that is what we could face.

We should need no reminder of the costs and risks of our energy dependence. It fuels our inflation. It strains the dollar. It drains our balance of payments. It increases our vulnerability.

The message is clear. Energy policy is central to our foreign policy. We cannot, over the long run, be independent, strong, and free and at the same time remain heavily dependent on foreign energy.

We have made some progress in the past few years. Our overall oil consumption was down in 1979. So was gasoline consumption. Under the President's leadership, we have taken important steps toward greater energy security. But, as the President has said, far more needs to be done. Gaining control over our energy future is an essential part of a prudent response to recent events in southwest Asia.

National Interests

Each of these objectives—to gain the withdrawal of all Soviet forces from Afghanistan, to deter further Soviet aggression, to manage sensibly U.S.-Soviet relations in a period of heightened tensions, to help strengthen the nations in the region, and to build America's strength—each serves the interests not only of America but of all nations which have a stake in world peace and stability. And they involve the efforts of others as well as ourselves.

As we move ahead together, our allies need to know that the United States will remain strong. And we will.

They need to know that we are committed to the common defense. We are, and we will remain so.

They need to know, at the same time, that the United States, for its part, would welcome a more stable relationship with the Soviet Union. And we would.

We are not asking our allies to dismantle the framework of East-West relations. We do ask that they take measures designed to bring about the withdrawal of Soviet forces from Afghanistan and to deter the Soviets from new adventures that will produce new crises.

Detente cannot be divorced from deterrence. To oppose aggression now is to promote peace in the future—to foster the conditions for progress in East-West relations. To assume that we can obtain the benefits of detente while ignoring the need for deterrence would be shortsighted and dangerous. I am convinced that we will not do so.

As we work with other nations, we also seek the understanding and support of the American people behind the objectives I have described.

America's strength lies not only in our weapons and our laboratories, our factories, and our farms; it is rooted in the determination and good sense of our people when they are united in a common purpose. For the shape of our future depends on our will and our wisdom: the will to respond to aggression with renewed national strength and the wisdom to find, in our response to immediate crisis, a new national unity behind our foreign policy for the future.

That leads me to my final point.

The Soviet invasion of Afghanistan has had a definite impact on our foreign policy—on U.S.-Soviet relations and the common agenda with our allies. But it should not—it will not—turn us away from the fundamental goals our nation has been pursuing in the world. They remain deeply in our national interest.

- It is in our national interest to lend America's full support to the negotiation of peaceful solutions to regional tensions.

Festering regional disputes fuel local arms races that drain resources from pressing human needs. They present opportunities for foreign intervention and exploitation. And they can erupt into open conflicts that bring the threat of wider wars. Precisely because the world has become a more dangerous place in recent months, we will continue to work to defuse its dangers.

- It is in our national interest to continue to strengthen our traditional alliances, to open new relationships—as we have with China—and to stay on course in building cooperative relations with the developing world.

The best way to thwart Soviet interference in the Third World is to pursue our own affirmative policy there, one that addresses the real interests we share in the freedom of developing nations—freedom from the dominance of outside powers, from the bitterness of racial injustice, from the waste of regional conflict, from the burdens of poverty.

That strategy does not mean that we should hide our differences with developing countries. But we can work together most effectively on issues of critical importance to us when they know we share their goals of political independence and economic justice.

This approach builds on our strengths, for it is most often to the West that these nations first turn for assistance in meeting their economic and security concerns. And this approach is working. There are serious trouble spots. But the fact is that our relations with most of the nations of Asia, Africa, and Latin America are stronger today than they have been in years.

- And finally, it is not only in our national character but deeply in our national interest to translate our dedication to freedom into practical support for human liberty in other nations.

Nations that respect the rights of their citizens, that are open to the expression and accommodation of conflicting views and interests, are in a stronger position to maintain their national balance and their national independence.

We are well aware that seething frustrations can explode into radicalism and violence which imperil America's interests. But it remains true that more often today, change is taking place peacefully, and it is leading toward human freedom.

It is in our interest to be part of that tide. And it is in our interest to defend human rights when they are threatened.

Indeed, a central issue raised for all the world by Soviet actions in Afghanistan is one of human rights: the right to determine one's own government; the right to religious liberty; the right to live in peace.

We will continue to strive not to impose our own institutions but to help others give expression in their own ways to the irrepressible human right to be free.

Ultimately, the purpose and the measure of our foreign policy are its impact on the lives of our people and others.

For over 200 years the United States has been on the side of freedom and progress. While we have known the world is a dangerous place, requiring our strength and our vigilance, we have also known that it need not be a hostile one. As the human condition is improved, as people everywhere find better and more secure lives, the world becomes a safer place for America.

It is this belief that has marked the American character throughout the life of our Republic. It remains our faith today. ■

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APPENDIX 3

SUPPLEMENTAL QUESTIONS SUBMITTED BY THE SUBCOMMITTEE ON EUROPE AND THE MIDDLE EAST TO THE DEPARTMENT OF DEFENSE AND ITS RESPONSES*

GENERAL QUESTIONS

Question. There have been many critics, especially in Europe, who have argued that the United States overreacted to the Soviets invasion of Afghanistan? How do you respond to those critics? To date, what has been our military response to the Soviet invasion of Afghanistan?

Answer. The Soviet Afghanistan invasion marks a profound change in Soviet policy. It demonstrates a new Soviet readiness to use its massive military power directly to gain its objectives outside the Soviet Bloc. In particular, they now can exert increased political and military pressure in the Persian Gulf region, the source of sixty percent of the world's imported petroleum and an area of vital economic and strategic importance to the countries of the West and the industrialized Far East. The Afghanistan invasion also must be viewed against a background of two decades of Soviet military buildups and of the more recent Soviet efforts to actively project their military power in the Third World through proxies and surrogates and by the transfer of military equipment.

The US military response to this serious threat has been measured and aimed at enhancing peace and stability in SWA.

In the past several months, we have augmented our naval presence in the Persian Gulf and Indian Ocean. At present, it includes two carrier battle groups. In addition, we have established a Rapid Deployment Joint Task Force to improve our ability to respond quickly and effectively to crises. We are actively seeking agreements with key countries in the region, such as Oman, Kenya, and Somalia, on access to facilities, and are improving existing facilities, such as Diego Garcia. We also are taking steps to preposition equipment and supplies in the area to facilitate rapid reinforcement and to ensure enroute access to the area.

Inevitably, for reasons of strength and capability, the US will have to take on the main military burden in Southwest Asia. But we also expect our Allies to help out there where they can. We are improving our coordination with individual Allies on their national efforts in that region. Furthermore, we are accelerating with our NATO allies implementing NATO's Long Term Defense Program and emphasizing allied achievement of a 3 percent real annual increase in defense expenditures. We also are actively addressing with our NATO Allies measures they could implement in Europe to take up any slack in NATO defense capabilities that could be created by our need to project military power into Southwest Asia. These efforts will ensure our ability to protect US vital interests in the Persian Gulf/Indian Ocean while continuing to strengthen NATO's defensive posture.

Question. What actions has DOD undertaken to extract "a real price" for what is happening in Afghanistan?

Answer. DOD has significantly increased the number of deployed naval forces to the Indian Ocean to demonstrate our resolve and commitment to an area vital to US interest. We believe these deployments will help to deter future Soviet aggression in SW Asia and keep the pressure on the Soviets to withdraw its forces from Afghanistan. Our increased presence also requires Soviet deployments of both land and naval forces, drawing down on their military capabilities in other regions. Concurrent with these US military initiatives, we are asking our regional friends and allies to permit US forces to use their ports and airfields so we can effectively sustain our military presence and respond rapidly to any contingency situation. Thus, we are in the process of forging a coalition strategy for SW Asia which should pay long term dividends for US military posture in the region and continue to extract costly counter actions from the USSR.

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*Those portions of the responses that were provided on a classified basis are retained in subcommittee files.

Question. Are there any military options for the US in addressing the Afghanistan situation and which ones are we using at the present time?

Answer. The President has ruled out direct military intervention in Afghanistan by US military forces. However, we have [security deletion] so as to be better prepared military in the event the President calls for military intervention at some future date. Additionally, we are reviewing and updating our contingency plans for the region to insure we can employ our forces in a timely manner and in concert with other long-standing plans outside the region. These initiatives are in addition to the expanded US naval and air presence in the region and our efforts to gain increased access to staging facilities in and adjacent to the Persian Gulf area.

Question. How are we coordinating our military plans for the area with our NATO Allies? What have we proposed, what has been the response?

Answer. We are seeking a durable, balanced Western response which calls for both multilateral coordination as well as bilateral efforts with NATO Allies. We are working with the Allies along three main tracks aimed at coordinating national efforts to promote SWA stability, reallocate Alliance efforts to accommodate SWA requirements, and renewal of efforts by all NATO members to attain at least a 3% real annual increase in defense spending.

Our allies have considerable military presence in the Indian Ocean area. The presence includes naval ships; fighter, transport and maritime patrol aircraft; ground forces and advisors to regional army forces. We have encouraged our allies to increase the training and exercises they conduct with regional and allied forces in the area. We are proposing extensive bilateral discussions with our allies on training of indigenous military personnel; arms transfers to PG/SWA states, other forms of security assistance, deployments of forces to the region, exercise, visits of defense officials, and development of forces capable of rapid deployment to the area. Enroute access assistance and facilities inprovements to support US forces deploying to SWA are additional topics we have raised with our allies.

The second track involves demonstrating alliance resolve and improving the deterrent and defense capabilities of the Alliance as a whole. The first phase consists of accelerated implementation in the short term of selected measures of the already agreed upon Long-Term Defense Program and Force Goals. The second phase focuses on the need for the Alliance to take up any slack in NATO's deterrent posture created by the need to maintain a deterrent posture in SWA. Under the concept of division of labor we have proposed that NATO focus chiefly on the following areas:

[Security deletion.]

[Security deletion.] Finally, there is a renewed Alliance-wide pledge to the 3% real annual growth commitment. For without increased collective defense spending of at least this magnitude, it is hard to see how the defense improvement measures called for can be funded.

Question. The US strategic petroleum reserve is now dangerously inadequate. The actual level is about 93 million barrels while the target is 1 billion barrels. What is the impact of this inadequate strategic petroleum reserve on US strategic planning? Do you view a build-up of the reserve as an important element of the Carter Doctrine or extraneous to it?

Answer. The Energy Policy and Conservation Act (EPCA) of 1975 established the Strategic Petroleum Reserve (SPR) for two purposes:

> To reduce the impact of energy supply disruption on the United States, and
>
> To carry out US responsibilities under the international energy program. Since its inception, the SPR has been thought of as a reserve whose primary purpose was to blunt the impact on the US economy of oil embargos, such as that experienced in 1973. It has never been considered as a military reserve. Wartime readiness is not mentioned as an objective in the EPCA.

No specific segment of SPR stocks is earmarked for the military. We do not see any direct linkage between the SPR and the Carter Doctrine.

DEPLOYMENT OF THE RDF

Question. What are the objectives in reducing the time for the deployment of the RDF? By when will you be able to accomplish this objective? How long do you hope it will take?

Answer. There is no absolute timeframe selected as an objective for the deployment of the RDF. We currently have a credible capability in the Persian Gulf region with the Navy and Marine forces deployed in the Indian Ocean. In the event of hostilities requiring the commitment of additional US forces we would need the capability to increase our current presence rapidly and we would, by necessity, be required to sustain a sizeable US force presence in the region for some indefinite period. Obviously, to take these steps in an area so distant from the US makes us depend not only on our decisions but also the decisions of our friends and allies. All of these factors would impact on deployment objectives.

Everything considered, we must have the capability to project US military force, with dispatch, to meet a variety of potential contingency operations. The general situation that prevails at the time that commitment of forces is contemplated will determine the actual deployment objectives. Our capabilities are expanding daily.

Question. What units of our armed forces have been specifically designated as components of the RDF?

Answer. The Rapid Deployment Joint Task Force is not a separate or discrete grouping of forces of a fixed size. Rather, the rapid deployment forces concept is to have a reservoir of forces, primarily from CONUS based commands, from which specific force packages can be drawn depending on what a particular contingency requires.

The following specific units have been tentatively identified for potential Rapid Deployment Joint Task Force assignment:

[Security deletion.]

Question. What is the total size of the forces which have the RDF assignment How many men, and from what services, will be involved?

Answer. The mix of forces available to the Rapid Deployment Joint Task Force Commander provides a balance of air, naval and ground capability which can be configured for a variety of anticipated threats. The tentative joint task force composition includes the following major elements: [Security deletion.] The approximate numbers in the manpower contribution of each service for major Rapid Deployment Joint Task Force units would be: Air Force combat element, [security deletions.] Army combat element, [security deletions] Navy, [security deletions] and Marine Amphibious Force [security deletions].

Figures for units deployed to meet actual requirements would vary in keeping with specific missions assigned.

Question. Will the U.S. Marine Corps play more significant role than the other services?

Answer. Within the forces identified for Rapid Deployment Joint Task Force missions the capability exists to structure a balanced air, naval and ground combat fighting force. The specific combat capabilities which might be tailored into a specific force package within the joint task force will be driven by the commander's assessment of the type of force best suited to ensure effective intervention. The Marine Corps certainly has a major role to play in the RDF concept, however the actual contingencies will determine how the joint task force is weighted.

Question. How many tactical air wings and ships will be involved?

Answer. The Rapid Deployment Joint Task Force composition includes an Air Force contribution of [security deletion] tactical fighter wings and [security deletion] tactical airlift wings. Additional combat air support is available in the Marine air wing included within the Marine Amphibious Force.

The [security deletion] aircraft carrier battle groups of the joint task force can be counted on for another [security deletion] wings of naval TACAIR.

In naval combatants, which may be assigned to or operate in support of the Rapid Deployment Joint Task Force, the force composition would include [security deletion] aircraft carriers and approximately [security deletion] other ships. If the Marine units within the joint task force were required to conduct amphibious landings, additional shipping would be required to assemble an appropriately sized amphibious task force.

Question. Is my understanding correct that the RDF already exist and that they do not constitute a separate force designed solely for quick deployment in non-NATO contingencies?

Answer. Your understanding is correct. The forces identified for assignment to the Rapid Deployment Joint Task Force are not new forces. These forces are regularly assigned to unified and specified commands and some are committed to NATO in the case of a NATO/Warsaw Pact conflict. When required, these forces will be assigned to, or operate in support of, the Rapid Deployment Joint Task Force as determined by individual requirements. The RDF concept, which centralizes the responsibility for planning, training and exercising the forces of the joint task force, streamlines our approach to the non-NATO contingency task and improves our capabilities to get these forces to an area quickly.

AIRLIFT CAPABILITY

Question. Airlift capability is another important component of our RDF capability. The United States is planning to improve its airlift capabilities through the procurement of a new airlift aircraft, the C–X, and through modification and extension of the service life of the already procured C–5A. (a) Will it be a five to ten year program? (b) What missions will these airlift aircraft perform? (c) What type of an airlift capability to the Persian Gulf do we presently have? (d) What type of capability to the Persian Gulf will the C–X give us? (e) What types of equipment will these aircraft be carrying? (f) Will it be equipment that cannot be pre-positioned?

Answer. (a) Yes. The C–5 wing modification program is programmed for completion in fiscal year 1987. The C–X Request For Proposal (RFP) was scheduled for release to industry on April 15, 1980. However, authority for release has not been given. Pending RFP release and source selection (originally scheduled for December 1980) the C–X program should start in fiscal year 1981. The initial operational capability (IOC) is programmed for fiscal year 1986.

(b) The C–X is being developed to perform both intertheater and intratheater airlift missions. It will be able to transport outsize cargo—including all Army major firepower equipment items—over intercontinental distances into small, austere airfields. This small airfield capability is required for deployment as close as possible to the objective area. It is also required because major airfields with adequate runway size and ramp space to support C–5, C–141, and CRAF[1] operations are likely to be saturated with fighter and commercial air traffic. Because of its ability to operate from small, austere airfields, the C–X will be able to perform the tactical airlift mission with outsize cargo when required.

The C–5 provides a significant capability for airlift of forces in the intertheater role. It is currently the only airlift aircraft capable of carrying cargo. As the Army continues its modernization program to bigger and heavier pieces of firepower equipment, our airlift capability will become even more deficient because of the limited number of aircraft to move outsize equipment. Further, the C–5, because of its physical size, is restricted in the number of airfields where it can effectively operate. It cannot be relied upon for movement of forces within the theater or to deliver forces to other than major airfields with an environment suitable for C–5 operations.

(c) Active duty units in MAC can lift an average of about 1820 short tons per day in fiscal year 1980. With recall of the Air Force Reserve Associate units, airlift almost doubles to 2800 short tons. If CRAF Stage II is used, airlift capability reaches about 3672 short tons per day.

(d) Our needs in coping with crisis situations worldwide, including the Persian Gulf, center not so much on additional combat forces as on our ability to move forces over vast distances to where they are needed quickly enough to be effective. In some cases, even a small force quickly applied, at the right place, can turn the tide of battle. In other cases, having the demonstrated capability would be sufficient to deter the outbreak of fighting in the first place.

The C–X, in combination with other mobility forces, will provide this capability. We cannot afford nor will the general public agree to the positioning of combat forces in all potential trouble spots of the world. We plan to add other areas in which combat equipment will be pre-positioned and to improve our sealift capability. However, if the pre-positioned equipment is not in the proper place and conflict breaks in an area not accessible to sealift, airlift will be the only means for rapid insertion of forces. Our current airlift capability is the greatest in the world. It is, however, limited in flexibility. The C-141 and civilian airlift forces cannot carry the heavy, outsize equipment of the modern ground forces. The C-5 can carry such equipment. However, they are limited in number and require relatively large, sophisticated airfields in which to operate. If such fields are not in the proximity of the battle area, forces may not reach the area in time to be effective. The C-X will be designed to overcome these deficiencies. It will carry outsize cargo over intercontinental ranges and will be able to operate in small, austere airfield environments.

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[1] Civil Reserve Air Fleet.

The C-X will fill the void that currently exists in our capability to move forces to the right place in any area of the world in time to protect our national interests. Sealift, pre-positioning and airlift all complement the total mobility capability of the United States. Airlift provides the movement of forces to meet an early threat and to "marry-up" personnel with pre-positioned equipment. Sealift, moving vast amounts of equipment and supplies, provides sustaining support and reinforcement of forces committed earlier by air.

(e) The C-X will be integrated with the entire airlift force to optimize each aircraft's capabilites. To maintain unit integrity as much as possible, the C-X and C-5 will carry all types of equipment and cargo, along with equipment operators. Lacking outsize cargo capability, CRAF's significant contribution to mobility in any contingency is troop and nonoutsize cargo movement. In NATO, all airlift will deploy fighter forces and POMCUS units with their non-POMCUS items first, followed by non-POMCUS combat and combat support units. In a non-NATO contingency, airlift will initially move fighter forces and light ground forces followed by mechanized and support units. Again, the most efficient combination of airlift forces will be used. Depending on the scenario and the relationship of ports to the battle area, C-Xs and C-130s will interface with sealift to optimize use of both mobility modes to deliver forces in a timely manner within a theater. Airlift will also be used to marry-up personnel and non-POMCUS items with maritime pre-postioned equipment.

(f) The C-5 is capable and the C-X will be designed to have the capability to carry all types of cargo. Equipment that can be pre-positioned would be carried when (a) contingency location is not predicted and equipment is not pre-positioned and, (b) pre-positioning of equipment is accomplished but in the wrong location. In either situation, the C-X is intended to have the capability to move equipment when and where needed. The C-5, however, is limited to operating from major airfields and does not offer the flexibility of operating in a small, austere airfield environment. The C-X will add this flexibility. Prepositioning decreases total mobility requirements. Our experience indicates, however, that the benefits of pre-positioning are often offset by the requirement to close associated personnel and unit equipment more quickly—thus increasing early airlift requirements. Whatever the scenario, it is airlift that will be tasked to marry-up forces with pre-positioned equipment and if necessary move prepositioned equipment to the battlefield.

ACCESS AND OVERFLIGHT RIGHTS

Question. In his report, Secretary Brown indicated that the United States was seeking to reduce its "need for intermediate foreign bases and overflight rights."

Does our objective of improving our rapid deployment capability also entail less dependence on foreign bases and overflight rights?

How do we plan to achieve this goal?

Why can't we depend on allies and friends throughout the world to provide us with the necessary bases and overflight rights to permit us to have an adequate airlift capability?

What NATO countries will be involved in providing transit rights?

What role do you see for Portugal?

Is this objective of reducing our need for enroute basing the reason for the KC-10 aerial tanker procurement program?

When do we expect to have this capability available to us?

Answer. We face both political and technical problems in improving our deployment capability to the Persian Gulf. No country is likely to give us carte blanche, *a priori* approval for access and overflight rights to conduct force projection missions. Instead, we will be forced to ask for permission in each new contingency. A critical element in U.S. acquisition of access, not only in the Gulf but in intermediate areas, will be the climate of Arab opinion. Thus, the willingness of host countries to respond will vary significantly with the circumstances of the action, the greatest access would most likely be provided when the U.S. has been invited by a major oil producing state beset by a country with interests that are antithetical to the West. The least would probably be provided in an Arab-Israeli conflict or other circumstances in which the oil producers do not approve of U.S. involvement. Such reluctance would arise because host countries would perceive their interests to be different from ours; because, in instances where use of force could allow the deployment, they would be unconvinced that the time for force had come; and because they would be fearful that the use of force would jeopardize their interests. No diplomatic strategy is likely to eliminate entirely these problems, but through consultations, it is hoped that we can achieve better understanding with our allies concerning the protection of our mutual interests in the Persian Gulf region.

For example, we have initiated discussions with the U.K. about [security deletion].

At the same time, we are undertaking a series of initiatives to overcome technical problems including providing more sealift assets, the C–X program, maritime prepositioning ships, and increased KC–10 procurement.

The KC–10 is two to three times as effective as the KC–135 tanker currently in the inventory and with a large fleet of this new tanker aircraft, we could substantially reduce the need for enroute ground refueling of MAC aircraft. The first one will be available for service this year. They will not, however, solve refueling problems for CRAF aircraft, which are not air-refuelable. It is also preferable to land fighter aircraft for refueling in order to avoid pilot fatigue.

As you can see, we are pursuing both diplomatic and programmatic initiatives to improve our capability to project forces more rapidly to the Persian Gulf.

NON-NATO CONTINGENCIES

Question. Is the RDF solely for non-NATO contingencies? How will RDF improvements affect our capabilities in Europe and our reinforcement capability there?

Answer. The Rapid Deployment Forces concept is aimed at significantly improving the deployment capabilities of US Forces primarily in response to non-NATO contingencies; however, many of the RDF related improvements in the current defense program will also add to the deployment capability of US Forces to NATO as well.

The long-term program of procuring the new C-X transport aircraft will add substantially to our total strategic airlift, especially in our ability to carry outsize cargo. Other RDF related initiatives which extend to improvements in our overall ability to move forces include the new KC–10 tanker, which will greatly improve our in-flight refueling while reducing the impact on tanker support for the Strategic Air Command, the C–141 stretch program, the C–5 service life extension program and improvements to the Civil Reserve Air Fleet. All of the initiatives cited help improve our ability to move in force to Europe as well as non-NATO regions where US reinforcements are required.

U.S. NAVAL/AIR DEPLOYMENTS/EXERCISES IN THE PERSIAN GULF/INDIAN OCEAN

Question. What is our current naval and tactical air presence in the Indian Ocean/Persian Gulf area?

Answer. 2—aircrafts carriers; 5—cruisers; 7—destroyers/frigates; 1—command ship; 1—Marine Amphibious Unit (1,800 Marines); 143—carrier-based tactical aircraft; 4—amphibious ships; 5—logistic support ships; 1—repair ship.

Question. What ports are they using and how long will they stay in the area?

Answer. Berbera; Bahrain; Dammam; Diego Garcia; Djibouti; Doha; Kuwait; Port Louis; Mogadiscio; Mombasa; Muscat.

The ships will make port visits ranging from brief stops for fuel to [security deletion] maintenance periods in selected ports such as Mombasa and Bahrain.

Question. Have any requests to home port this increased number of navy ships been denied and, if so, by which country or countries?

Answer. No requests to home port U.S. Navy ships have been made for the Indian Ocean region.

Question. How many ships are drawn from our Mediterranean fleet and from our Western Pacific fleet?

Answer. Five ships (1–CVN, 2–CGN, 2–DD/FF) are drawn from the Mediterranean. Nineteen ships (1–CV, 3–CG, 3–DD/FF, 4-amphibs, 5-logistic support, 1–AD) are drawn from the Western Pacific.

Question. How long can a carrier task force stay in the Indian Ocean without resupply?

Answer. During current operations, ships are resupplied with provisions about [security deletion] and are fueled on an average of every [security deletion]. Resupply of ammunition is scheduled as required to replace training expenditures. During wartime, both fueling and arming frequency would recur every [security deletion] days, depending on fleet operation and tasks.

Question. How will the naval force level change in the Indian Ocean area in the next six months, in the next year?

Answer. Force levels will be maintained at approximately current levels until the political-military situation permits a reduction in force levels to one CVBG, one Amphibious Ready Group/Marine Amphibious Unit (ARG/MAU) and logistic support forces.

Question. How will these changes affect our force levels in our Mediterranean and Western Pacific Fleets?

Answer. CVBG force levels will be reduced from 2 in each fleet [security deletion]. Amphibious forces will be reduced from 1 to .65 ARG/MAU in the Mediterranean and [security deletion] in the Western Pacific.

Question. Have there recently been redeployments of U.S. ships out of the Persian Gulf and Indian Ocean?

Answer. No. However, ships are being replaced, and rotate in and out while current force levels are retained.

Question. How will the scale and pace of periodic U.S. Naval task force deployments in the region be increased?

What exercises will be undertaken during these periodic deployments?

Will those exercises be coordinated with NATO country naval forces in the region and is there an agreement to do so?

How far ahead have we planned these deployments and exercises and how susceptible is this to change?

Answer. Current naval deployments will continue at a relatively high level (presently 28 ships) until the [security deletion] crisis is resolved. This force includes two Carrier Battle Groups (CVBG) (8 ships); an Amphibious Ready Group/Marine Amphibious Unit (ARG/MAU) (4-amphibious ships, 2-escorts); Mobile Logistic Support Force (MLSF) (6 ships); and P3C Maritime Patrol Aircraft.

In the post hostage situation the U.S. will maintain the following Naval force position in the Indian Ocean: one CVBG and one ARG/MAU continuously.

Planning and negotiations are continuing for several types of small-scale bilateral exercises and a large-scale, combined sea control exercise. Small-scale bilateral exercises include naval passing, amphibious, command post, search and rescue, and air defense. The large-scale exercise is planned for FY-81. Possible participants may include [security deletion].

Although CVBG deployment and exercises are being projected through the end of the year, such projections are very susceptible to change. The highly volatile political and military environment of the Indian Ocean region can be expected to cause schedule changes in both deployments and exercises.

Question. How will the scale and pace of periodic U.S. Air Force deployments and exercises be increased?

What is the current status of the F-15s sent to Saudi Arabia, the AWACS sent to the region, and the B-52s performing sea surveillance?

What is planned in the future for these aircraft and any other direct U.S. air deployments or exercises in the region?

Answer. USAF F-15 aircraft deployed to Saudi Arabia for two weeks in January 1979. We have no firm schedule for future F-15 deployments or exercises but would anticipate these first line Air Force aircraft will make periodic deployments to the region. The AWACS aircraft [security deletion] B-52 sea surveillance activities [security deletion]. We anticipate that the number of exercises and deployments to the region will increase as our efforts to improve access to facilities in the region bear fruit. Types of exercises and deployments under consideration include airlift, fighter operations, refueling and joint exercises with other U.S. forces in the region.

Question. How do these air and naval deployments and exercises in the Persian Gulf/Indian Ocean area affect U.S. force levels and readiness in other parts of the world, specifically our Mediterranean and Western Pacific fleets?

What happens if there is an alert in Southeast Asia and an alert in the Persian Gulf, where do the ships go and who makes those decisions?

Will the deployments in the Gulf area stimulate requests for increases in our Mediterranean and Western Pacific fleets?

Answer. Normal force posture in the Mediterranean is two CVBGs and one ARG/MAU; in the Western Pacific, two CVBGs and two ARGs/BLTs. To maintain the CNO goal of a six month deployment followed by 12 months in CONUS, CVBGs and ARGs/MAUs deployed to the Indian Ocean must come from either the Mediterranean or Western Pacific. When this is done, the ability to respond to a NATO alert in the Mediterranean or a contingency in the Western Pacific is reduced. A simultaneous alert in the Persian Gulf and Southeast Asia would require the National Command Authority to decide where ships would go. This scenario would likely require the deployment of additional forces from CONUS and/or the Mediterranean.

Continuous presence of a CVBG and an ARG/MAU in the Indian Ocean, now done at the expense of force levels in the Mediterranean and Western Pacific, could stimulate requests for increases in overall naval force levels.

U.S. ACCESS TO BASE FACILITIES IN THE PERSIAN GULF/INDIAN OCEAN AREA

Question. What increased economic and military assistance have we agreed to provide to Somalia in exchange for access to Somalia's air and port facilities, especially at Berbera? Until recently, what has been our understanding with the Somalian government regarding American military assistance and its use in the Ogaden, beyond Somalia's internationally recognized borders? Has that understanding now changed even though we hear reports of three Somalian military brigades fighting in the Ogaden? Are those reports accurate? What is the U.S. commitment to the Somalian government should Ethiopian or Cuban and Ethiopian troops cross the Somalian border in "hot pursuit" of those three Somalian brigades fighting in the Ogaden?

Answer. [Security deletion.]

The U.S. has not changed its policy toward Somalia engaging in military operations outside of its own sovereign borders. [Security deletion.]

OMAN

Question. What is the strategic advantage of U.S. access to facilities in Oman? How will this access enable us to project power into the Persian Gulf? What activities would we carry out there? Would U.S. ships home port in Oman? What types of U.S. ships could use port facilities in Oman? What is the difference between what we will be doing in Oman and what we now do in Bahrain?

Answer. [Security deletion.]

Question. What facilities in Oman, or Masirah Island and elsewhere, will the U.S. be improving and modifying to meet U.S. military needs? What will be the U.S. budget outlays for fiscal year 1980 and 1981 for military construction in Oman? What assistance, grant or FMS financing, does the U.S. plan for Oman for fiscal years 1980 and 1981 in addition to what has already been requested?

Answer. [Security deletion.]

Question. Is this new US arrangement with Oman, in effect, a commitment to the security of Oman and a statement of intention to defend Oman against external attack?

Answer. [Security deletion.]

DIEGO GARCIA

Question. How does Diego Garcia fit into the U.S. strategy to project power in the Persian Gulf?

Answer. Diego Garcia is the single most important facility for logistics and communications support of the Naval Task Forces now deployed in the Arabian Sea. It is also an important base for sea surveillance flights. Later this year, the first Maritime Prepositioning Ships (MPS) of the Rapid Deployment Force will be moored in the lagoon at Diego Garcia. The planned expansion of Diego Garcia facilities will permit higher levels of support of the RDF [security deletion].

Question. How many miles is Diego Garcia from the Strait of Hormuz?

Answer. 2250 nautical miles.

Question. Is it further away than Mombasa?

Answer. Diego Garcia and Mombasa are essentially equidistant from the Strait of Hormuz. (Mombasa is 2160 nautical miles from the Strait.)

Question. How many ship days is the Strait from Diego Garcia?

Answer. 4.7 days at 20 knots; 5.9 days at 16 knots.

Question. Is Diego Garcia important for communications, for logistical support, as a staging ground?

Answer. The Naval Communications Station on Diego Garcia is essential to Indian Ocean operations. The supply facility moves high priority items, airlifted from the United States and other overseas bases, by air to the Indian Ocean task force. By positioning tenders at Diego Garcia, we are able to perform upkeep and intermediate level maintenance for ships. The air facility has great value as a base for ocean surveillance, reconnaissance, and anti-submarine patrols. Beginning this summer, when MPS are moored there, Diego Garcia will play in increasingly important role in the RDF.

Question. What aircraft do we fly into Diego Garcia?

Answer. P-3 [security deletion] ASW [security deletion] C-5 and C-141 strategic airlift aircraft; US-3 COD aircraft providing logistics transportation to the on-station carriers; [security deletion]. Other types of aircraft use the airfield occasionally.

Question Are P-3 reconnaissance aircraft the principal aircraft used out of Diego Garcia?

Answer. Operationally, the P-3 [security deletion] flights are the most important and most frequent. For logistics, C-5 and C-141 are the principal aircraft.

Question. What improvements of the facilities on Diego Garcia are planned?

Answer. We have requested funds in the FY80 supplemental budget and the FY81 budget amendment to construct permanent facilities to support the number of personnel needed to conduct on-island tasks and island-based operations at the level that has prevailed since late 1979. [Security deletion.]

In the FY81 budget, we have requested funds to commence upgrading the island's operational and maintenance facilities to support the Rapid Deployment Force (RDF), particularly the Maritime Prepositioning Ship (MPS) portion of the RDF.

Question. Do you seek to enlarge the facilities to do more of the same or to diversify the facility's functions?

Answer. The FY80 supplemental/FY81 budget amendment requests are to provide permanent facilities (predominantly housing and personnel support facilities) in order to conduct existing kinds of operations at a higher rate (i.e., do more of the same). The program outlined in the FY81 budget request is to support the RDF, which is a new function.

Question. What capabilities will these improvements provide us which we do not have now?

Answer. [Security deletion] the RDF facilities will support our capability to project for rapidly in this strategically crucial region.

ALLIED ACTIVITIES IN THE MIDDLE EAST

Question. President Valery Giscard D'Estaing of France recently visited Saudi Arabia as part of his Middle East tour.

Did France promise to make available to the Saudis three regiments of its crack paratroopers, the same that are involved in actions in Africa in the past, should Saudi Arabia be threatened by foreign or domestic dangers?

Answer. [Security deletion.]

Question. What is the nature of the French presence in the Indian Ocean: Do the French maintain the largest permanent Indian Ocean fleet, how do they service it, what is its mission and will it cooperate with our naval forces?

How many troops do they have in Djibouti, Reunion and other islands in the Indian Ocean?

Answer. The French maintain a sizable, permanent, naval presence in the Indian Ocean. [Security deletion.]

Any cooperation between French and US naval forces in the area in any future activity would depend on the circumstances.

[Security deletion.]

Question. It was recently reported that the government of Australia had rejected a US request to contribute Australian troops to the US Rapid Deployment Forces. What was the reason for the rejection? What have the Australians agreed to do, if anything, with regard to supporting US actions in the Indian Ocean? Have the Australians committed themselves to deploying a carrier task group in the Indian Ocean? Are we coordinating our naval actions with the Australians?

Answer. [Security deletion.]

Question. What role have the British agreed to play?

Have they been more supportive of U.S. actions in the Indian Ocean and Persian Gulf than other allies?

What can we reasonably expect the British to contribute in terms of naval vessels and ground troops (Marines) to the allied presence in the area?

Prior to British military withdrawal from the Gulf in 1971, the Royal Navy maintained a flotilla of no less than seven minesweepers at Bahrain. How many minesweepers does the U.S. maintain at Bahrain? Are there NATO nation minesweepers now in the region? Is the need for minesweepers now less than it was 9 years ago?

Answer. The extent of British involvement in the Persian Gulf/Indian Ocean, including their sovereignty over Diego Garcia, gives the UK a significant role in affairs in the area. The British have been supportive of our efforts, and we are continuing to consult closely with the UK on policy and programs for the area.

[Security deletion.]

AUGUST 1980.

APPENDIX 4

CORRESPONDENCE CONCERNING LT. COL. JOHN J. RUSZKIEWICZ TESTIMONY ON CONDUCT OF U.S. POLICY TOWARD THE YEMEN ARAB REPUBLIC

Congress of the United States
Committee on Foreign Affairs
House of Representatives
Washington, D.C. 20515

May 12, 1980

The Honorable Edmund S. Muskie
Secretary of State
Department of State
Washington, D.C.

Dear Mr. Secretary:

The Subcommittee on Europe and the Middle East is conducting a series of hearings on the "Carter Doctrine and U.S. Policies in the Persian Gulf". During a hearing on May 5, 1980, we heard testimony from John J. Ruszkiewicz, (Lieutenant Colonel USA retired) who was military attache in the Yemen Arab Republic for two years until January, 1980. In his testimony, Mr. Ruszkiewicz raised several serious allegations about the conduct of United States policy toward North Yemen. I believe that the State Department needs to respond to the charges Mr. Ruszkiewicz makes.

Among the issues raised by Mr. Ruszkiewicz are the following: the advisability of the triangular relationship our country has with Saudi Arabia and the Yemen Arab Republic; the advisability of having our relations with the Yemen Arab Republic largely, if not wholly, regulated and limited by Saudi Arabia; our intelligence verification of fighting in the YAR and of an armed invasion from the PDRY into the YAR before the President's decision to invoke waiver provisions of the Arms Export Control Act in early March, 1979; State Department policy regarding the Ambassador's right or the U.S. Embassy's right to censor and/or edit intelligence reports to other agencies from their agent/analysts in the field and criticisms of the way the Embassies in both Yemen and Oman work; the current use and deployment of the $400 million worth of military equipment which was rushed to the YAR under emergency measures; and the status and significance of the YAR's current military training and military supply relationship with the Soviet Union.

The President's decision in March, 1979, to invoke waiver provisions of the Arms Export Control Act was justified citing serious fighing in the southern part of the YAR resulting from an invasion from the PDRY. Mr. Ruszkiewicz stated that he was the only member from our country team to make a trip south to attempt to verify by first-hand observation the YAR and Saudi reports but that he found no evidence of either serious border fighting or an invasion. He said that he was unable to confirm the reports. It is important to know on precisely what first-hand American intelligence was the President's decision based.

In connection with his reporting to the Embassy and to Washington, Mr. Ruszkiewicz testified that the ambassador objected to a portion of one of his reports and deleted it. The deleted portion of his report read: "Briefing received from YAR president and government officials indicate situation very serious. Information available from other than government sources, although sketchy, does not support seriousness of situation." Was this deleted and why was it deleted?

Such censoring of intelligence reports certainly contradicts testimony from the intelligence community leadership to Chairman Zablocki's subcommittee that the independent channels for intelligence communication are always available. Mr. Ruszkiewicz testified that he was eventually able to send his unedited reports to the DIA but from another country and the DIA, in time, confirmed his observations and concluded the situation was not serious. It is important to know what assessments were available to which decisionmakers and when they were available.

Mr. Ruszkiewicz was asked to comment on the utilization and deployment of U.S. military equipment, including the $400 million emergency package in the YAR. Mr. Ruszkiewicz testified that none of it was deployed in the south and he described the equipment as being used more for show and palace protection than for bolstering defenses against the PDRY.

Because of the recent Soviet-YAR arms deal which he claims to have uncovered, Mr. Ruszkiewicz opened his comments by saying that he now summarizes the situation in the YAR by describing it as behind enemy lines since the Soviet arms agreement.

Mr. Ruszkiewicz's testimony raises some serious questions about our policy toward the Yemen Arab Republic and other states in the region, and about testimony we received in early 1979 justifying the President's decision to take emergency action and waive provisions of the Arms Export Control Act.

I would appreciate your prompt attention to this matter.

Sincerely yours,

Lee H. Hamilton
Chairman
Subcomittee on Europe
and the Middle East

LHH:bh

DEPARTMENT OF STATE
Washington, D.C. 20520

JULY 29 1980

Dear Mr. Chairman:

As you note in your letter of May 12, Lt. Colonel Ruszkiewicz has raised many issues concerning the situation in Yemen. Most of these have been discussed in Administration testimony. I welcome the opportunity, however, to respond to the four issues which you single out for special mention.

First, we have conducted a review of the intelligence which underlay the President's decision, on March 7, to invoke waiver provisions of the AECA in order to deliver military equipment to Yemen expeditiously. The fighting between North and South Yemen grew from border incidents in January and early February to cross-border, offensive operations by South Yemeni units against the North Yemen towns of Qatabah and Bayda. Harib, another town in North Yemen, also fell to the South and there was fighting in the Wazaiyyah area. Fighting continued (including strikes by South Yemeni aircraft) despite an Arab League cease-fire on March 3. South Yemeni forces did not withdraw from their positions but consolidated their positions and by March 6, after more fighting, they had moved 30 kilometers past Bayda and Qatabah toward the main north-south road linking Sana and Taiz.

Our best estimate now is that the invasion force consisted of 2-3 brigades, perhaps three thousand men; PDRY has 10 brigades. Also, a small group called the National Democratic Front, drawn from North Yemenis who wished to overthrow the government in Sana, took part in the invasion.

U.S. intelligence was based on a variety of classified and unclassified sources, both unilateral and from other countries. It provided the basis of the belief that the PDRY attacks, if pressed, could succeed in gaining radical control over the southern parts of the YAR or toppling the government in Sana.

The Honorable
Lee H. Hamilton, Chairman,
Subcommittee on Europe and the Middle East,
Committee on Foreign Affairs,
House of Representatives.

Thus, the invasion seemed, at the time of the waiver, to present a threat not only to the YAR but also to the Peninsula as a whole.

Second, with respect to reporting by the Embassy in Sana, the Ambassador decided to send in information from as many sources as possible, pointing out the discrepancies and contradictions by appropriate comments. This procedure was used regarding the reporting of all elements of the Country Team. The Ambassador discussed these reports with the officers who were drafting them, but at no time did he attempt to censor them. Our Ambassadors in both Muscat and Athens have also strongly denied that they have interfered with reporting by their Defense Attaches as charged by Mr. Ruszkiewicz.

Regarding the specific charge referred to in the first paragraph of page 2 of your letter, we have checked with Ambassador Lane who is confident that he did not delete the two sentences mentioned since this would have been directly contrary to the Embassy reporting policy at the time. Although Mr. Ruszkiewicz implies that information from his sources was not reported promptly, I note that Mr. William Quandt, who was on the NSC Staff at the time of the Yemen conflict in 1979, testified before your Committee on the same day that virtually everything in Mr. Ruszkiewicz's testimony was known to him at that time.

Third, most of the equipment was delivered after the fighting tapered off. Our actions, however, strengthened the YAR will to resist and Arab diplomatic efforts in forcing PDRY withdrawal. Some US equipment, however, was used in the fighting. Training began at once to help the YAR integrate its new equipment into a defense against any new PDRY attack. The equipment has now been handed over to the Yemeni government. Some is apparently stored. Other materiel is in Yemeni units around the YAR. There are significant problems with training, manning, maintenance and support. U.S. training efforts--especially in the F-5 squadron--are continuing.

Finally, regarding the subsequent Soviet-YAR arms deal, we have made clear to the Yemenis that we are concerned by this action, particularly after the major effort we made to meet their needs for modern weapons.

We do not believe, however, that the YAR is now "behind enemy lines", as asserted by Mr. Ruszkiewicz. The Soviets have been the major supplier of arms to the YAR since 1962. Yemeni leaders have repeatedly assured us that they feel they need additional arms for self-defense, and that their decision to continue to acquire arms from the Soviet Union does not mean that they have become part of the Soviet bloc.

Sincerely,

Brian Atwood

J. Brian Atwood
Assistant Secretary for
Congressional Relations

July 31, 1980

Lt. Col. John J. Ruszkiewicz (ret.)
Box 156
Pine Island, N.Y. 10969

Dear Col. Ruszkiewicz;

I attachef6o your consideration of a copy of some correspondence I had with the Department of State regarding your testimony before the Subcommittee on Europe and the Middle East.

We will be going to press with our series of hearings on the Persian Gulf in the later part of September and will be including this correspondence in the record of the hearing. If you chose to answer the contents of the Department of State's reply for the record, we would like to have your reply no later than September 15, 1980.

If you have further questions, please feel free to contact Mike VanDDusen who can be reached at 225-3345 in Washington.

With best regards.

Sincerely yours,

Lee H. Hamilton, Chairman
Subcommittee on Europe
and the Middle East

LHH:dd
Attachment

19 September 1980

The Honorable Lee H. Hamilton
Chairman
Subcommittee on Europe and the Middle East,
Committee on Foreign Affairs
House of Representatives

Dear Mr. Chairman:

I welcome the opportunity to answer the contents of the Department of State's reply to your letter to them concerning my testimony on the conduct of United States policy toward North Yemen.

I would like to begin by stressing the point that my prepared statement which I submitted to the Committee on the 5th of May was merely the tip of the iceberg, an attempt to portray a situation much more complex than what could be condensed into nineteen pages. The Department of State's reply to your letter provides the opportunity for me to reveal a larger portion of that iceberg and provide more detail to the committee than I originally submitted in my statement.

As you recall, I focussed upon two basic themes in my statement and testimony. The first was the harm the subordination of our policy toward North Yemen to that of Saudi Arabia had done. My second theme was the manner in which the flow of information so vital to the formulation and execution of foreign policy is so often impeded, and in the case of the border war between the two Yemens during February and March of 1979, dismissed by decision makers in the Administration because it failed to support a political decision designed to improve President Carter's tarnished foreign policy image.

Although you asked State for a reply to the first of my themes, they apparently chose not to do so. For that reason I will not comment on it further. I will attempt instead to provide further detail concerning those four issues of the six contained in your letter to State to which they chose to reply.

The Department of State persists in its belief that the fighting between North and South Yemen was serious and even presented a threat to the Arabian Peninsula as a whole. For the sake of brevity, I will dismiss the Wazaiyyah, Harib, and Bayda areas, because they were considered secondary to the fighting in the Qatabah area, the main thrust of the PDRY attack. According to Embassy and/or CIA reports, the situation was as follows: "YAR forces by the 27th of February were exhausted from a week of intense fighting. PDRY forces were advancing along mountain ridgelines toward Ibb. They were advancing with tanks and artillery, employing rolling artillery barrages and tank thrusts which the YAR could not match. The PDRY strategy was to move on top of the mountains rather than up the valleys. At their present rate of advance they would soon be in Ibb," we were told, "cutting the main north-south highway and the southern third of the country off from the remainder. By the third of March the main thrust of the advance had shifted, no longer toward Ibb, but toward a point along the main north-south highway about 40 kilimeters north of Ibb. By this time it was being reported the enemy successes were due to the employment of a rocket outside the range of YAR artillery." (Pleaserealize none of this information was confirmed by on-the-ground observation). According to sources of information which formed the bases of these reports, the town of Qatabah itself had changed hands so many times during the course of the fighting that it had been reduced to rubble. When the cease fire was arranged and PDRY forces withdrew, they employed a scorched earth policy. According to accounts of our CIA agent, "they were ripping door frames and windows out of homes and making off with generators and whatever else they could get their hands on."

I submit Mr. Chairman, that what I have outlined in the above paragraph is a summary sketch of the details the Embassy and the CIA reported on the fighting around Qatabah. Based upon State's reply to your letter concerning the intensity of the fighting, I am confident you will agree I have accurately portrayed the essence of their reporting at that time.

On the 12th of April 1979, I made the tortuous road trip to Al Bayda. The final 25 kilometers over an extremely poor road lasted just under two hours. Then on 24 April I made a trip to Qatabah. On both occasions I made the trips without YAR government approval, for they would have turned down such a request, citing the danger in the border regions. The dirt road from Ibb to Qatabah (the main line of communication) was very rough. It took me three hours to negotiate the 75 kilometer track, which in two places required four wheel drive.

Upon my return to Sana I wrote my report. I started my report with, "PDRY forces never threatened to cut Sana-Taiz road from Qatabah-Ibb axis." The Charge' (Ambassador was on home leave at this time), insisted I preface this statement with "Road recon to Qatabah and terrain analysis enroute suggests..." He explained the addition saying my statement left no room for the position the Ambassador and he had taken during the fighting and the policy recommendations they had made. After this change my report continued to the effect that YAR security forces based in Qatabah, when threatened by advancing PDRY forces, pulled back to an area they could defend 35 km west of Qatabah. PDRY tanks (all ten of them) advanced 22 km to the west of Qatabah, as far as the terrain permitted the movement of tanks. Here they positioned themselves for 15 days while forces operated from Qatabah north toward Damt. I could find no signs of fighting in the town of Qatabah nor in its immediate vicinity. My observations in the Qatabah area were similar to my observations in Al Bayda in many respects. In both places YAR security forces stationed near the border delayed PDRY forces for as long as possible (according to sound military principles) before withdrawing to defensible terrain. In the Al Bayda area it was a long narrow pass west of Dhi Naim. In the Qatabah area it was a similar narrow pass 35 km west of Qatabah, estride the main line of communication. In both situations, YAR forces held their positions in the face of limited PDRY attacks, which in neither case included tanks. In both areas, tank trafficability is extremely difficult if not impossible, and PDRY forces chose not to advance with tanks. Rather, they employed wheeled vehicles, to include vehicle mounted BM 21 rocket launchers (range - 10 km). Since the mountain ridgelines along the road from Qatabah to Ibb are too rugged to move a herd of mountain goats, much less permit the movement of tanks and artillery, and since no signs of fighting could be found within 38 km of Ibb, I concluded that the Sana-Taiz highway was never threatened by PDRY forces advancing from Qatabah toward Ibb..

As you see Mr. Chairman, my observations were considerably at variance with what State and CIA were reporting from their sources. Should there be any question concerning the accuracy of my observations, I would be happy to furnish you photographs of those ridgelines, the unrubbled town of Qatabah, the passes where YAR forces defended, and the countryside through which no sane tank commander would even attempt to maneuver tanks, (or a mad one either, for that matter).

I will spare you the details of the heated "discussion" I had with the Charge' over this report and invite your attention to the Department of State's reaction. It is contained in their message dated 1 May 1979 which was transmitted to all diplomatic posts. After a short summary of my report they state; "The YAR's apparent exaggeration of the battle conditions at Qatabah (similar to its exaggeration of the fighting around Bayda) may have been, in part, due to faulty communications and poor command and control procedures. It is probable, however, that the YAR's gloomy reports were also aimed at obtaining maximum U.S. and Saudi sympathy," (read-accelerated arms deliveries)"which would explain the reason the YAR steadily refused to allow our Defense Atteche in the battle areas until long after fighting ceased."

I find it quite inconsistent that the State Department on one hand provides its diplomatic posts with an honest analysis of events in Yemen, while on the other hand still insists in its communications to the Congress that the situation at the time was so serious that it justified the President exercising his waiver authority under the Arms

Export Control Act.

In their reply to your letter, State said vaguely that U.S. intelligence on the situation was based "on a variety of classified and unclassified sources both unilateral and from other countries" (What else could it be based on after all). It would be interesting Mr. Chairman, to know what the Defense Department's response to the same request would have been. As I testified, they were able to confirm my observations, and do so rather convincingly.

Ambassador Lane states that at no time did he attempt to censor the reports of elements of the country team, and is confident he did not delete the two sentences in one of my reports mentioned by you in your letter to the State Department. If I were Ambassador Lane I would have been certain of this before making such a denial. I would have gone to the attache office one floor directly below the Ambassador's office and asked Colonel Lang, the present attache, to show me the hard copy (original) file of attache reports during that time frame. Specifically I would have looked at reports #6-906-030-79 dated 28 February, #6-906-033-79 dated 2 March, and #6-906-038-79 dated 7 March. There, on the original copies of these reports, I would find the line-outs and changes in his (the Ambassador's) own handwriting. In October 1979, Major General Richard Larkin, Chief of Staff of the Defense Intelligence Agency, flew to Yemen from Washington on a visit of less than 24 hours. General Larkin spent considerable time in my office going over the original copies of my reports and noting the changes made by Ambassador Lane. Perhaps you could ask General Larkin about these changes. We spent considerable time discussing them, as well as the problems attaches in many countries encounter in getting their reports out. General Larkin assured me my situation was not unique and that DIA was doing its best to correct this sad state of affairs.

State in their reply to you said their ambassadors in Athens and Oman strongly denied they interfere with reporting. State's letter makes no mention of Iran where the situation I refer to was probably worse than the other two countries. I wonder what some of the American hostages would have to say on this subject. To support my allegations in this regard, I would like to refer to an article written for State Department consumption by Stanley T. Escudero, a State Department officer. The article was written sometime in mid-1979 and is titled, "What Went Wrong in Iran?" The following are quotes from the article: "By sometime around 1968, as nearly as I could determine from old files, it had become the unspoken policy of the Department and the Embassy (and possibly also the Administration, although a junior officer would never be in a position to be certain of this) to curtail reporting critical of the Shah."

"Through imposition of this essentially dishonest policy over the past decade, the Department denied itself information which might have enabled the United States to be better prepared for recent Iranian developments." The article concludes, "Someday we simply must learn that the purpose of political reporting is to provide information and informed analysis to assist in the making of policy decisions, not to support existing policy. After all, the policy might be wrong."

These last two sentences contain the essence of what I have attempted to set forth in my prepared statement, in my testimony before your committee, and in this response to State's reply.

Department of State in their reply said that some U.S. equipment was used in the fighting, giving the impression some of the equipment contained in the $400 million package had some useful effect during the fighting. The U.S. equipment used during the fighting consisted of jeep mounted 106mm recoilless rifles and 50 caliber machine guns. We sold this equipment to Yemen in 1974 on a direct sale. None of the equipment in the $400 million package was deployed during the fighting. In fact, little or none of it had been deployed by the time I left Yemen in January 1980. The one exception which comes to mind was the deployment of three 155mm howitzers to an area north of Sana sometime in October or November 1979. They were used to flatten one of their own villages to rubble as a stark reminder to certain tribal leaders who may or may not have been thinking of moving to overthrow the president.

I never said in my testimony or my statement that my information was not reported promptly, only that it was first censored by the Ambassador. I am not sure of what Mr. Quandt meant to say when he commentd on my testimony during the hearing. "I do not believe that that information was seriously suppressed or it would not have gotten to me. It was quite a marginal issue from my point of view. I was not primarily responsible for it, but I was aware of virtually everything that the Colonel has said here today, and I was in a policy advisory role." I am sure Mr. Quandt was not referring to the Ambassador's changes to my reports, for in his position he would have no way of knowing changes were being made. Did he mean to say then, that he was aware of the fact that the Administration knew the situation in Yemen was not all that serious, but yet went ahead and told the Congress it was, in order to be able to portray a "get tough" President whose foreign policy image needed boosting?

In the introductory section of this reply, I made the point my statement and testimony represented merely the tip of the iceberg of what happened in Yemen. In the interest of brevity, I did not detail the intense pressure brought upon me to conform to the country team line in my reporting. Nor did I detail to you the intense ridicule which resulted when I failed to do so. On the second of March the DCM informed me, "The Ambassador and I both feel your negative attitude is not making any contribution to the country team effort. Colonel Broman (Chief of the Military Assistance Office in Yemen) told us this morning your 26 February road trip report brought the European Command to a standstill on Yemen. They read the report and concluded the situation was not serious. It took all kinds of effort to gear up their support again. We realize we should not have let that report out without a comment which would have softened its impact.... If you want to know what is going on around here, read the CIA reports." After that session with the DCM, I went home and alerted my wife to the possibility the Ambassador might invite me to leave the country, which is his prerogative to exercise any time he sees fit. The ridicule I received took many forms and came from many quarters. What it all boiled down to was, "the Attache does not believe there is a war going on." In my view, the intense pressure to conform to "the company line" was potentially even more serious than any of the actual changes the Ambassador or the Charge' made in my reports.

The bottom line to all of this is a comment made by the Embassy Administrative Officer at a country team meeting after I had passed around a selection of photos taken during my trips to Al-Bayda and Qatabah. Since they revealed so much of what the Embassy and CIA had reported to be seriously suspect (I also had a picture of the newly constructed Al-Bayda hospital which we were assured many times had been shelled to rubble), the AID director raised the question, "What does all of this mean in terms of what the embassy reported on the fighting?" Here the Administrative Officer chimed in with, "It means we were hoodwinked, that's what it means." Yes, Mr. Chairman, we were hoodwinked all right, but we were hoodwinked willingly. This Administration permitted the United States to be hoodwinked by a non-power (who at the same time was dealing with the Soviet Union for about $2 billion of arms) so that a scenario could be created which would portray a "get tough" President.

Whether or not North Yemen is technically behind enemy lines, the fact remains that their relationship with the Soviet Union has changed qualitatively if not quantitatively as well. Specifically, the political atmosphere in Yemen has changed. It is now more receptive to Soviet advice and influence and much less receptive to any potential U.S. initiatives in the region.

I feel strongly about this subject, not only because of what happened in Yemen itself, but I fear that Yemen is a microcosm of what all too often derails our foreign policy, particularly in sensitive and volatile areas such as the Middle East.

Sincerely,

John J. Ruszkiewicz

John J. Ruszkiewicz
Lt Colonel, USA (ret)

APPENDIX 5

ARTICLE BY WALTER LEVY (FOREIGN AFFAIRS, SUMMER 1980)

Walter J. Levy

OIL AND THE DECLINE OF THE WEST

The year 1979 was one of grievous setbacks for the future security of the oil supply of the Western world, its economic and financial prospects, its strategic capabilities, and its political stability.

To begin with, we were completely unprepared for the collapse of the Shah's regime in Iran, even though there were many early warning signals. And our government and business community share a substantial measure of responsibility for shortsighted policies which contributed to the destabilization of the Shah's regime.

What followed in terms of oil alone should now be a familiar story. During the course of 1979, the decline in Iranian oil production was more than made up by other producing countries. And taking account of a virtually unchanged world oil demand, importing countries were able to increase their oil stocks during the year by well over one million barrels a day, more than has been achieved during recent periods. Nevertheless, a temporary decline in world oil production led to apprehensions by importing countries and their oil companies that they might be unable to cover their future needs. Accordingly, importers tried to obtain added supplies and to increase stocks at almost any cost. This, in turn, resulted in panic buying at largely uncontrolled and escaating spot oil prices.

Obviously, the Organization of Petroleum Exporting Countries (OPEC) would not maintain its official quotations at a lower level f an increasing proportion of its oil was purchased on the spot market by importing countries or companies at much higher prices. In due course, OPEC increased its official prices to more han double their previous levels. Also, OPEC countries would naturally try to sell more and more of their oil directly or through ntermediaries at the higher spot prices. This would mean that he established customers for OPEC oil could only obtain smaller quantities of the oil they had previously been able to acquire directly from the producing countries. Accordingly, more and

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Walter J. Levy is a consultant to industry and governments.

more companies and countries were unable to purchase oil from their former regular major oil company suppliers; instead, they were forced to turn to producing countries or trading companies to assure themselves of supplies, and they showed themselves willing to pay them practically any price that they asked for.

As early as February 1979 it was painfully clear that this state of affairs posed a massive danger for the world oil economy and that it required coordination and cooperation among importing countries and among their companies if this buying panic were to be stopped. As a minimum, the major importing countries would have had to establish a firm policy for themselves and their companies not to buy oil at above OPEC price levels; at the same time they had to be willing to establish an international and national allocation system that would assure all countries and companies an equitable share in the oil that was available at OPEC prices. Without such arrangements, higher spot prices would sooner or later be incorporated into higher official OPEC prices. This would be especially damaging because OPEC prices are not freely fluctuating market prices. Once raised, they are unlikely to come down again, because any future softness in prices would be countered by a cutback of OPEC production.

The governments of the major importing countries were, of course, aware of this problem. But either they did not really comprehend its importance or they lacked the will and leadership qualities to act. The relevant international institutions, such as the Organization for Economic Cooperation and Development (OECD) or the International Energy Agency (IEA) either felt that they did not have the constitutional power to deal with this issue, or that they would not have the support of their member governments. Industry generally opposed any course that might involve national or international official controls or interference.

While it is, of course, not certain whether any national or international arrangements, had they been made, would have succeeded, in actual fact nothing was even attempted to stem the tide of upward-spiralling prices. It would appear that most of the wounds of 1979 have been self-inflicted.

So we lived through 1979 with Iran in disarray, with the oil economy in turmoil (even though there was no overall sustained shortage), and with the Soviets invading Afghanistan. It was indeed a year illustrating the impotence of Western power and the failure of national and international leadership.

II

While 1979 has passed, the problems it created or aggravated are going to stay with us, probably for the indefinite future. Let us first review the medium term to 1985.

With a recession accompanied by a substantial retardation in world economic growth, and with continued conservation and sustained development of energy from all available non-OPEC sources including coal and nuclear energy, it now appears that world energy requirements *could* be met *if* OPEC production, after a decline during 1980 (as compared with 1979), would then increase again and reach about the 1979 level by 1985. This would require, in effect, that political and economic conditions in the major oil-producing areas, notably the Persian Gulf, be such as to lead to sustained and increased production to such levels. It would also require the adherence by the Western nations grouped in IEA to the oil import limitation targets for 1985 and intervening years, which in turn would require greatly increased conservation and further development of indigenous energy sources.

But this is only the statistical supply and demand part of the story, and even this much depends on the doubtful and difficult conditions just stated. Moreover, even under these conditions, the financial problems of recycling petrodollars and particularly meeting the needs of the less developed countries (LDCS) are sure to take on a much more serious dimension than in the 1974–78 period. This is a conclusion universally shared today by those in positions of public or private responsibility, including members of the banking community who assessed the situation in the earlier period and believed that the private banking community could to a very great extent handle the problem. Today, however, there is solid agreement that the omens are far darker.

Specifically, at current OPEC prices and assuming future increases at even somewhat *less* than the anticipated rate of inflation (the most favorable possible assumption), OPEC countries might accumulate a surplus of about $115 billion during 1980 and of some $350 to $450 billion between 1980 and 1985. This would imply that the importing countries would suffer a corresponding balance-of-payments deficit during this period, which would have to be financed somehow by the recycling of the petrodollar surplus.

For the year 1980, the deficit of developed countries has been estimated at about $50 billion and that of less developed countries at nearly $70 billion. The foreign debt of LDCS might reach about

$440 billion in 1981, compared with about $385 billion in 1980 and $150 billion in 1975. And with petrodollar surpluses continuing to accumulate, the financial and balance-of-payments position of oil-importing countries would deteriorate at an accelerating rate. It is most unlikely that our national and international financial system can cope with this problem without risking sustained recessions, a slow rate—if any—of economic growth, high rates of inflation, widespread unemployment, industrial and national bankruptcies, and political upheaval.

The debt problem could, of course, be solved if the values of the currencies in which the debts are incurred decline in their purchasing power to such an extent that the repayment of debts, when due, can be done at a fraction of their original value. All of this did in fact occur between 1974 and 1978, a period which has been portrayed by some as the "golden age" of petrodollar recycling.

But it seems now that the jig is up. The recycling "success" in the past was predicated on some confidence in the value of the currencies involved, on the willingness of oil-producing countries to spend ever-increasing amounts of petrodollars for national development and military purchases, and on their readiness to suffer substantial declines in the real price of oil and to accept between 1974 and 1978 the virtual disappearance of their annual petrodollar surplus.

Now the producing countries are trying to establish a policy under which oil prices will not only go up regularly in step with the rate of inflation, but also will increase on a regular basis at rates exceeding the rate of inflation by an additional amount depending on the increase in the Gross National Product (GNP) of the OECD. In short, they are seeking a regular advance in the real price of their oil. Many of them have also cut back their earlier economic development programs so that the former wild increases in annual import expenditures have recently been coming down substantially.

Furthermore, the producers are now placing even greater emphasis on increasing the value of their oil exports by adding refining, petrochemical and transport operations to their national programs. This would of course further add to the foreign-exchange burden of oil purchased by the importing countries and would thus increase the petrodollar surplus even more.

More important, perhaps, the question arises whether the producing countries would really be prepared to continue to produce oil at a rate that would continuously generate surplus petrodollars for them. As they are well aware, they would in effect be exchanging oil in the ground, whose value will certainly advance at least with inflation, for monetary assets whose value would tend to decline with inflation.

If, alternatively, they were to reduce their production, they would not only stretch the life of their oil reserves, but as real prices in tight oil markets are likely to increase, their revenues would go up. It is true that the world economy would suffer very badly by any resulting oil shortage, but the producing countries might argue that, at least to some extent, their loss from the world's depressed economic activity would be less than the erosion in the value of their surplus financial assets that they would suffer through inflation.

The minimum protection the producing countries could be expected to demand, if they were to continue to produce oil at levels needed by the importing countries, would be an indexation of their petrodollar accumulations in line with inflation. To take care of this problem, I have recently suggested that this might be done by making available to them inflation-indexed energy bonds that would be issued by an international agency. As any additional cost that could result from such indexation would have to be underwritten by the oil-importing countries, the financial burden on the latter might, obviously, increase.

III

Let us now turn to some of the other major problems that affect the security and availability of oil supplies.

The producing countries, having taken full control over their national oil operations, in fact do not recognize as binding supply or price arrangements even if freely concluded by them. Recently they have gone so far as to change agreed-upon prices retroactively. This, they argue, they are entitled to do under the doctrine of sovereign control by producing countries over their natural resources. Because the contracting party in the producing country is also a government-owned oil company, they contend that any change the government requests in the terms and conditions affecting crude oil production and sales would in fact constitute a sovereign act, so that the government oil company that had entered into a contract would be entitled to claim *force majeure* vis-à-vis its customers.

But, undoubtedly, the increasing unilateral application of this doctrine is also related to the ease with which the host countries have been able to apply it, and to the lack of opposition by the affected private or public interested parties against unilateral expropriation or the cancellation of legal and contractual rights. Because of the fear of being arbitrarily cut off from supplies, Western nations and their companies now accept within a wide range practically any economic or political terms that a producing country may impose on them. This subservience, however, rather than safeguarding the remaining rights and position of the companies, in fact encourages the host countries to continue to proceed as they see fit. We have thus entered a period in international oil of near "lawlessness" in the relationship between producing countries, the oil companies and the importing countries.

The issues are not only supply and price stability. They also include exploration and development efforts that are now exclusively dependent on policies of producing countries, which obviously are not interested in creating any surplus of supplies that might endanger OPEC prices.

Moreover, especially since 1979, producing countries have cut back the oil they supply to the major international oil companies, frequently below the level of their direct requirements. The "Internationals," therefore, can no longer provide oil supplies to third parties as in the past. More and more of the oil is sold directly (or sometimes through trading companies) by producing to importing countries. As a matter of fact, the share of the Internationals in world oil trade has declined from 78 percent in 1974 to about 44 percent in 1979, and is declining even further.

At the same time, the terms imposed by producing countries for oil supplies include more and more political and other extraneous conditions, related, for instance, to the interest of the producing countries in the Palestinian problem, or in their nuclear capabilities or in the political postures of their government customers.

Thus, oil companies no longer perform an effective independent role as a buffer in the relationship between oil-producing and oil-importing countries. They have practically no bargaining leverage with regard to any decisions affecting their operations in producing countries. Moreover, any action by OPEC on supplies or prices that would lead to a higher cost of its oil would, as OPEC is fully aware, also tend to benefit the oil companies, as their own non-OPEC production would also become more valuable.

This is at best a messy situation all around, where the producing countries can have it nearly all their way, because there are no countervailing powers they have to consider. The only question they face is whether, because of their own interest in the economic and political well-being of their customers, it would be prudent for them to exercise self-restraint.

This interdependence is indeed a very weak reed to lean on. It is unlikely to become a controlling factor in the decision-making process of OPEC countries as long as the various importing countries and their oil companies, in the spirit of *sauve qui peut*, are willing to go to practically any length in order to secure their individual oil supplies.

IV

Ideally, one might perhaps have hoped that the major importing countries would have formulated an effective energy policy, and also established a coordinated approach to OPEC with regard to supply and financial problems caused by its actions. Instead, what has dominated international oil relations has been the fear of importing countries and their companies that OPEC may cut off their supplies, or impose even stiffer conditions at the slightest sign of resistance or of a common policy approach by the importing countries. The latter have acted as if they were in such a weak position that in order to obtain continued supplies they must act separately and try to gain favors by ingratiating themselves with OPEC countries by any means feasible.

This policy has been a failure. And the experience of 1979, previously described, has demonstrated how ineffectiveness resulting from fear and lack of common purpose has badiy hurt the West, and in fact accelerated the disintegration and Balkanization of the world oil economy. Now again individual importing countries move in various directions, each one suspicious of the other, while pretending on the surface some desire for a unified approach.

The International Energy Agency (IEA), which was specifically established to deal with emergency supply situations, operates under terms of reference which do not allow it to deal with the actual situations as posed now or for that matter in 1979. And when its terms of reference did in fact permit it to intervene, the Agency apparently tried its utmost to avoid any actions, perhaps out of fear that OPEC might not like it.

Without going into details, it would appear that in order to cope with current problems where oil importers might be confronted by OPEC countries with extraneous or detrimental terms on supply or on pricing, the importing countries should agree among themselves on a common policy, backed up by an allocation scheme—as we had earlier suggested as the appropriate response to the problems of 1979.[1] Interestingly enough, Saudi Oil Minister Zaki Yamani recently suggested that the developed and developing countries should jointly adopt a scheme for the equitable distribution of world energy consumption.

Under such a scheme, all the quantities available on regular terms should be shared equitably among the various countries. It would at least reduce the fears of some countries or companies of being left out of the supply stream unless they were prepared to make special deals on basically unreasonable terms—which, when once accepted, might set the pattern for all later OPEC transactions.

However, it is clear that as a result of recent developments affecting the international oil trade, it has now become much more difficult for importing countries and their oil companies to participate in an international oil allocation program. Any allocation scheme would require some redistribution of the flow of world oil; it is predicated on a substantial degree of flexibility in the world oil supply system that had previously been assured by the dominant role of the international oil companies in controlling and directing most of the movements of oil in world trade. As mentioned earlier, this role has now been greatly reduced.

Instead, restrictions on destinations in many recent OPEC export contracts and the proliferation of direct oil supply deals between the governments of importing countries and OPEC national oil companies might deprive the importers of the necessary flexibility for the diversions of oil shipments. Moreover, the importers might well fear that if they arrange any such diversion, the producing country might cancel their oil supply arrangements. And in those cases where the consuming country has obtained oil supplies only by granting the OPEC country special political or economic advantages, it would, in any case, most likely be reluctant to make such oil available for reallocation to other countries.

There is thus a clear and present danger that recent developments in the structure of world oil trade may have undermined the basis for the emergency reallocation system of the IEA and for a self-defense program of the importing countries as suggested here.

This is a matter for urgent consideration by the governments of the importing countries. They are now confronted with a challenge to their ability to try to cope as a group with major oil supply shortages or with a continued deterioration of the terms under which OPEC oil is made available to them.

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[1] See Walter J. Levy, "A Warning to the Oil-Importing Nations," *Fortune*, May 21, 1979, p. 48.

The importing countries might well be unable to agree on a joint policy. But if they should fail to take a common stand on protecting their freedom to reallocate purchased oil among themselves, they would in fact endanger their capacity for an effective self-defense against a loss of vital oil supplies and hence seriously jeopardize their future economic, political and strategic viability.

V

We have discussed until now mainly the supply, financial and structural threats that are confronting world oil operations. The year 1979 also brought into the open the geopolitical and internal revolutionary dangers threatening oil-producing countries. The collapse of the Shah's regime and Soviet aggression in Afghanistan illustrate the vulnerability of practically every one of the producing countries. Moreover, the Iranian revolution has brought to power an extreme orthodox Muslim movement with grave anti-Western and xenophobic policies that might, if unchecked, spread far into the whole Muslim world.

All of this turmoil is accompanied by intraregional conflicts among the various countries, with continuously shifting alliances and hostilities. There are also the on-and-off relations between several of them and the Soviet Union, ranging from treaties of friendship and massive supplies of Soviet arms to complete elimination of Soviet influence.

There is also the perennial Arab-Israeli conflict, apparently eased by the Israeli-Egyptian peace treaty, but now ominously threatened by the possible failure of the Palestinian autonomy discussions. While a resolution of these issues will not solve the problem of oil relations between the importing countries and the Middle East, the lack of a solution—or even of visible progress—might at any time lead to a conflict which could jeopardize directly or indirectly the uninterrupted flow of oil, or its terms of trade. Needless to say, so long as this problem remains a festering sore the stability of the Sadat regime and of the peace treaty with Israel might also themselves be at stake.

Finally, we face the problem of the internal stability of most of the Middle East regimes. There is very little doubt about the antiquated nature of many of them, and the inadequacy of the existing governmental structures to cope with modern economic problems and cultural stresses to which the oil-producing countries and sheikdoms are now inevitably exposed. Rapid modernization backed by Western governments—in part, at least, because it helps to solve the petrodollar recycling problem—and supported by Western industry through the establishment of huge and sometimes excessive industrial and infrastructure projects is bound to have an explosive effect on Middle East societies.[2]

Nobody can predict when and how the governmental, social and cultural systems in the various countries will change so that they can cope effectively with the problems that confront them; but change they will, and, more likely than not, by convulsions or revolutions rather than through a process of gradual evolution. In the meantime, these countries remain exposed to the often destructive forces of rapid economic development; of foreign education; of huge unearned wealth coupled with immense corruption that enriches a small group of rulers, their relatives and hangers-on; of a massive influx of foreign labor which will do much of the work and may well become a restless and dissatisfied underclass. And waiting at the gates are, on the one hand, the forces of Muslim orthodoxy as manifested already in Iran and in the attack on the Mosque in Mecca; and on the other hand, the subversive forces of Marxism as they attempt to spread their philosophy throughout the area through the Soviet footholds in Afghanistan, Aden and the Horn of Africa.

There are, on all sides, many parties who benefit from the maintenance of the present situation. It is difficult to prepare an objective analysis of this problem, and even more so to have it accepted or even considered by the policymakers of the oil-producing and importing countries—as the Iranian debacle so tragically and vividly demonstrated.

Minor or cosmetic reforms as they are now being planned in Iraq, Saudi Arabia, Kuwait and North Yemen are unlikely to stem this tide of internal and external instability and corrosion. Without going into details, the pervasive strength of all these forces is illustrated by the fact that 13 of the present Arab heads of state, or more than half of them, have reached power by forcibly removing their predecessors in one way or another; and in the past 15 years Arabs have fought Arabs in 12 fierce wars. This is the area on which, for better or for worse, we depend for stable oil supplies.

VI

Following the Soviet invasion of Afghanistan, President Carter announced that an attempt by any outside force to gain control of the Persian Gulf region would be regarded as an assault on the vital interests of the United States, and repelled by the use of any means necessary, including military force. This has now become the so-called Carter Doctrine.

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[2] See also Walter J. Levy, "The Years That the Locust Hath Eaten: Oil Policy and OPEC Development Prospects," *Foreign Affairs*, Winter 1978/79.

It would appear that it was absolutely necessary to state clearly our overwhelming interest in Persian Gulf oil, on which we depend for over 30 percent of our oil imports, Western Europe for over 60 percent, and Japan for over 70 percent—and will continue to do so for many years to come. To have remained silent would certainly have been held against us by the producing countries and our Western allies—even though neither our allies nor the Persian Gulf countries have really given us their unqualified and open support once we spoke out.

But of course the Soviet threat to the area is of much longer standing: in Afghanistan the communist radicals seized power in April 1978; in the Arabian Peninsula the Soviets made earlier arrangements with communist South Yemen; and in the Horn of Africa the Soviets some time ago cooperated first with Somalia and then switched their support to Ethiopia.

To give some credibility to the Carter Doctrine, we have moved a substantial number of ships from the Sixth and Seventh Fleets into the area, denuding greatly our forces in the Mediterranean and in the Pacific. We are building up a Rapid Deployment Force and will provide in due course supporting services in terms of ships and airplanes through new supply stations in Kenya, Somalia and Oman—in addition to enlarging the base on Diego Garcia in the Indian Ocean.

With the countries in the area that are directly affected—such as Saudi Arabia, Kuwait, Iraq and Iran—our military relationship remains, however, somewhat tenuous and ambiguous. As a matter of fact, their official attitude toward the Soviet Union and the United States is more that of "a plague on both your houses." It is reflected in the Iraqi proposal for a charter for Arab neutrality in an East-West conflict, which has received support from many Arab countries.

There is also the Saudi opposition to the use of their oil production for increasing our woefully inadequate strategic stockpile, and the somewhat ambiguous statement by Crown Prince Fahd that if U.S. forces should ever invade Saudi Arabia to prevent an interruption of oil supplies, the most that can be done is to blow up the oilfields.

Furthermore, there are serious doubts as to how safely we can depend on those countries where we intend to establish supply stations, such as Somalia with its hostile attitude toward Ethiopia and Kenya, and Oman where everything hinges on the policy of the ruler, who has already played a very lonely game because of his support for the Camp David agreements. We know how these rulers come and go, or may change their minds. The disappointing experience with Pakistan when the Carter Administration tried to establish an effective cooperative relationship in early 1980 is indicative of the kind of problems U.S. efforts are facing nearly everywhere else.

Moreover, with the intraregional conflicts which have been rampant, and above all with the grave internal political instabilities of almost every country in the area, a political upheaval, or a foreign or locally inspired attack on regimes or oil facilities could occur at any time, even without Soviet overt or covert interference. In most instances, we will probably never know whether or not there was any Soviet direct or indirect involvement.

In actual practice, the Carter Doctrine may thus more likely than not involve us in an attempt to protect the status quo against internal upheavals or intraregional attacks. This would be a most difficult and probably impossible assignment for U.S. military forces.

Accordingly, the basis of cooperation with many of these countries, with their frequently wavering loyalties and alliances, and their often dubious or unclear motivations, may well prove to rest on feet of clay. In addition, our ability to project sufficient power into the area over distances of 6,000 miles or more against a nearby land-based superpower is limited. In any case, even if all should go well, it will take several years before the military buildup of our forces and the adequate preparation of new supply stations can be completed.

The one thing that seems to be certain is that if fighting in the Persian Gulf should erupt, the first targets that will be destroyed, either by foreign or local forces, are the vital oil facilities. Some 60 percent of Persian Gulf exports pass through three ports, with eight critical pump sites controlling the flow of oil. While the United States itself might be able to handle a sustained interruption in Gulf oil supplies through drastic belt tightening, this is emphatically not the case for Western Europe or Japan, and the very possibility of such an event is one of the major factors inhibiting the support of these nations for U.S. policy.

In short, it would appear that the Carter Doctrine, if it were ever to be tested, would of necessity mean that the United States would react against Soviet moves to control the Persian Gulf by military or other actions at times and places of its own choosing, but not necessarily in the Persian Gulf itself. The immediate importance of the Doctrine rests perhaps mainly in the assurance to the countries in the area that the United States is actively concerned about their fate, if the Soviets should ever attack them. Its real value is based on the hope that the Doctrine will be accepted as credible and prove to be a deterrent to the Soviet Union—and will thus never be tested.

But the Doctrine creates many more problems than those mentioned up to now. Not only are the Persian Gulf countries trying to keep any U.S. military effort at some distance, but it is also not at all certain how much support, if any, many of our NATO allies and Japan are prepared to give us—even though the loss of Persian Gulf oil would hit them much harder than us. Instead, some of them, especially the French, seem to prefer to work out for themselves and perhaps for Europe a new special political and economic relationship with the Persian Gulf oil producers. They try to obtain oil supply assurances on economic terms acceptable to them by agreeing to political and other conditions—such as on the Palestinian problem and on military and nuclear supplies—that would appeal to the producing countries.

At the same time they hope that the policy of détente can be maintained, and in due course include some understanding between Western countries and the U.S.S.R. on some kind of accommodation concerning the Persian Gulf area—even though the U.S.S.R., which is and probably will remain much less dependent on foreign oil than the Western countries, might well choose to have it all its own way.

In the light of all these factors, the effectiveness of the Carter Doctrine as a deterrent to the Soviet Union is at best uncertain. The people in the area already tend to look at it partly as a selfish attempt of the United States to protect its oil supplies, and partly as a means to keep conservative governments in power against internal or external regional opposition. And our allies, as mentioned, seem to be tempted to try to go their own way. In terms of achieving U.S. policy objectives, the Carter Doctrine might in the end prove to be as ineffective as was the Nixon Doctrine policy of the 1970s, which sought to establish regional security through a local national surrogate government such as Iran.

VII

The medium-term prospects for the security and availability of oil and for the economic and political stability and strategic security of the Western world are indeed disturbing. If we now consider the longer term outlook, the picture looks equally forbidding. Not only are all the economic and political problems to which we have already referred likely to remain with us; but in addition, even by the year 2000, the massive challenge of moving from a mostly oil-based energy economy worldwide to one that can largely draw on other more amply available energy resources will probably still remain largely unresolved.

A comprehensive and authoritative projection of the overall energy picture up to the year 2000 that is currently available is the Exxon publication, *World Energy Outlook*, released in early 1980. This study postulates a very high rate of expansion of energy production from non-oil sources during this period. Specifically, it forecasts a nearly 120 percent increase over 1980 in the non-communist world's use of coal; a more than quintupling of nuclear power; a more than doubling of hydro-power including solar, geothermal, etc.; and a buildup of synthetic fuel production from coal, tar sands, and oil shale, from virtually zero to seven million barrels per day.

In addition, the Exxon projections reflect a highly successful effort in improving the efficiency of energy use. Between 1980 and 2000, the average annual growth of non-communist world Gross National Product, adjusted for inflation, is estimated at about 3.5 percent, while energy consumption is projected to grow at only 2.5 percent per annum. This reflects a substantially expanded conservation effort from the past. For example, according to Exxon statistics, between 1965 and 1973 energy use in the non-communist world grew more rapidly (5.5 percent per annum) than economic output (5.0 percent per annum).[3]

Even on such assumptions, however, the Exxon study concludes that there would remain in the year 2000 a demand for oil of 60 million barrels daily, which would be 15 percent above the 1978 demand level. Oil and gas combined would by the year 2000 contribute 86 million barrels daily oil equivalent, or 52 percent of total non-communist world energy demand as compared with 72 percent in 1978. Exxon also assumed that:

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[3] In the case of the United States, the change is even more dramatic. For the period between 1978 ano 1990, the economic growth rate in the United States is projected at about 2.5 to 3 percent per year, while the growth in total energy demand is projected at a rate of only 0.8 percent per year. This of course reflects the high consumption of energy in the United States and the resulting possibilities for a greater degree of conservation than is possible in other industrialized countries. In the same period, for example, energy demand in Europe is projected to rise by 2 percent annually, and in Japan by 2.9 percent. For other nations than the United States, Canada, Europe and Japan, the projected growth in energy demand up to 1990 is 5.8 percent per year. The result, naturally, is a substantial progressive change in the percentages of total world energy demand by various countries and areas—with the United States dropping from 41 percent to 33 percent, and Europe from 27 percent to 26 percent, while the "other" countries increase their share from 19 percent to 28 percent. Exxon, *World Energy Outlook*, pp. 6–7, 26–31.

> The combined net oil exports from the Soviet Union, Eastern Europe, and the People's Republic of China to the rest of the world would remain roughly constant during the period, at 1.0 million barrels daily, with declines in availability from the Soviet Union offset by increasing amounts from China;
>
> total non-communist world oil production outside OPEC would increase by some 7 million barrels per day to 26 million barrels daily by the year 2000; and
>
> production (including natural gas liquids) still required from OPEC countries would, at 33 million barrels daily, be 10 percent above its 1978 level and amount to 55 percent of total non-communist world oil supply in the year 2000.

The average annual addition to oil reserves through new discoveries in the non-communist world, between 1980 and 2000, was projected by Exxon to range between 9 and 15 billion barrels. To assess the reserve-to-production ratio for the year 2000, let us use the figure of 12 billion barrels, the midpoint of this range. Accordingly, the reserve-to-production ratio would decline from 31 years in 1980 to roughly 20 years by the year 2000. For most of the producing countries, except for a few of the oil-rich countries, the reserve-to-production ratio by the year 2000 would be 10 years or less.

In the meantime, with a continued decline in the reserve-to-production ratio during the 20-year period, it is almost inevitable that real prices for oil would take off. The ensuing financial and economic problems could far exceed those which would be incurred between 1980 and 1985 and would—within the framework of our society and institutions—appear to be beyond our current capacity to cope. Moreover, many of the producing countries would certainly, for reasons of economic or political policy or because of physical limits set by productive capacity, reduce their production when their reserve-to-production ratio declines below a certain minimum. There is thus a "self-destruct" element in the relationship between the projected size of oil production and the economic and political consequences that it could entail.

VIII

The question thus arises: If indeed the problems can be kept manageable, what must the importing countries do to assure their future political, economic and strategic viability?

From all that has been said so far, it would appear that the oil importers would probably need 30 years or more to create an energy economy based overwhelmingly on sources other than oil—and even this goal might not be achievable if we wished to sustain a viable rate of economic progress. During the 30 years-plus when we must surely still very much rely on oil, a large part of that oil must be obtained from the oil-rich countries of the Persian Gulf. Even in the unlikely case that within the next 10 to 15 years massive new discoveries should be made, comparable to those of the Middle East, it would take perhaps some 10 additional years before they could be fully developed.

It is thus imperative—during the period when the importing countries must procure each year more than 25 million barrels a day from OPEC producers and some additional substantial quantities from non-OPEC sources such as Mexico—that the real price of oil be kept at a manageable level. This may well mean that for some time to come prices should not increase at a much higher rate than that of inflation. The underlying concept would have to be that oil must be conceived in terms of a "common heritage of mankind" that must serve both the welfare of the producing countries and that of the importing countries.

That might well be considered to be an unrealistic utopian fantasy, especially as it would have to be based on an accommodation between oil producers and oil importers where both parties take full account of each other's vital interests. Above all it presupposes that the United States, the Soviet Union and possibly China agree on common principles that would apply to their policies affecting the area, and thus would be willing to abstain from any actions that might interfere with the maintenance or establishment of peace and tranquillity in the Middle East.

Specifically, it would require the conclusion of effective arrangements between oil-importing and producing countries on the size of needed oil exports, on a sustainable level of prices, on the planning and implementation of development programs for producing countries and on many other areas of concern to all the parties involved.

It would also imply that the threat of instability within producing countries and that of intraregional quarrels in the Middle East would be contained and neutralized. Within the Middle East, the Arab-Israeli conflict must be concluded, which in fact means that the autonomy issue and the Palestinian problem must be equitably resolved. But there are many other potentially explosive quarrels affecting the region—such as those centering around Lebanon; or the relationship between Iran, Iraq and other Arab countries; that of South versus North Yemen; the isolation of Egypt within the Arab world; the problems that are posed by the Libyan attitude towards its neighbors; and so on.

Within the various Middle East countries, the modernization of their political systems and of their economies must proceed without upsetting their traditional values. The new Orthodox Muslim movement, as it might be spreading from Iran, might otherwise engulf all those forces in the area that are seeking to achieve reasonable political and economic progress.

If all this were possible, we could probably solve the major problems that are related to the world's long-term dependence on Middle East oil. However, this kind of scenario does not reflect the world as it is now and is likely to be in the future; and we have not much reason to hope that the various producing countries, the importing countries, and the superpowers will ever agree on such a rational course of conduct— especially as the immediate dependence of the Soviet Union on Middle East oil is less than that of the United States and of most other Western nations.

Instead, we will probably be confronted by a series of major oil crises which might take any or all of several forms: fighting for control over oil resources among importing countries or between the superpowers; an economic-financial crisis in importing countries; regional conflicts affecting the oil-producing area; or internal revolutions or other upheavals in the Middle East. At best, it would appear that a series of future emergencies centering around oil will set back world progress for many, many years. And the world, as we know it now, will probably not be able to maintain its cohesion, nor be able to provide for the continued economic progress of its people against the onslaught of future oil shocks—with all that this might imply for the political stability of the West, its free institutions, and its internal and external security.

APPENDIX 6

QUESTIONS SUBMITTED BY SUBCOMMITTEE ON EUROPE AND THE MIDDLE EAST TO DEPARTMENTS OF STATE AND ENERGY AND THEIR RESPONSES

1. Today, what is your prediction on when we can expect our dependence on OPEC and Persian Gulf oil to peak and start to decline?

The United States will continue to rely heavily upon oil imports from the Persian Gulf at least through 1985; these imports are estimated to increase slightly to 2.5-2.8 mmb/d in 1985, up from 2.4 mmb/d in 1979. (The Persian Gulf is expected to supply about 34% of our imports in 1985, up from 31% in 1979.) Rising Persian Gulf imports may partially offset anticipated reductions in exports from Africa, Venezuela, and Canada. Nigeria, Libya, and Algeria, which together supplied approximately 30% of U.S. oil imports in 1979, are expected to reduce their exports to the U.S. over the next few years due to resource limitations and increasing internal energy demands. We also foresee decline in Venezuelan output of light oils and Canada's oil exports to the U.S. As a consequence, U.S. imports from these five countries may fall by 1.2 mmb/d by 1985, while imports from Mexico and the Persian Gulf are likely to increase.

Since it is difficult to predict the course of technical developments or future oil discoveries, it is not possible to make specific judgements concerning U.S. oil imports from the Persian Gulf after 1985. However, it is expected that U.S. oil imports will decrease in the late 1980s as conservation programs and programs to develop alternate energy sources take hold.

2. There have been, over the last few years, several trends in the dealings beteen Persian Gulf states and consuming countries which I would like you to comment upon:

a. There has been a decline in the power of the big companies and a rise in direct government-to-government deals:

-- What is our position: do we seek to maintain the power of the big companies to use them as a buffer?

-- What do you see as the implications of more government-to-government deals?

-- Does it make the process more political?

-- What leverage do we have to determine how the business works?

There is no question that company control of crude oil under concession arrangements in the past provided a useful buffer between governments of oil-importing and oil-exporting nations. It also provided great flexibility in oil markets, permitting rapid reshuffling of supplies and rapid transmission of pricing signals as markets shifted.

We believe this situation served U.S. interests, but note that it obtained during the first twenty-five years after World War II largely because there was a constant tendency for increases in supply to outrun increases in demand. In other words, there was a buyers' market.

By the early 1970's, this situation began reversing rapidly. The market became a sellers' market. In the new situation the exporting countries were able to terminate the old concession arrangements and to market increasing quantities of their oil directly. Through the mid-1970's, with the market in near balance, quantities marketed directly by governments increased slowly and erratically. With the return of a pronounced sellers' market in 1979-80, a number of exporting countries sharply reduced sales to the major companies in order to increase their direct marketing. The new customers who came to buy directly from exporting countries include smaller oil companies, whose oil dealings had been primarily domestic (such as Japanese trading companies), oil companies of which importing governments own a share, government-owned oil companies, and in some cases, governments themselves. Many of these were formerly the customers of the majors. A large part of the rise in direct deals, in fact, represents the unavoidable shift of Japanese trading-company purchases from the majors to the exporting governments.

Thus it may be misleading to emphasize "government-to-government" deals. What we see, more accurately, is a substantial increase in direct producer government sales. Another way to describe the situation is to say that the exporting governments now have more and smaller customers.

To the extent that consumer governments are also involved, this increase in direct government sales does tend to politicize oil trade and to link oil supplies to other economic concessions. Consumer government involvement encourages politicization for the simple reason that governments are in a position to make political concessions whereas companies generally are not. Thus we believe that importing country governments are well-advised to avoid becoming direct buyers where possible. The governments of most major importing countries have done so. In addition, we have seen no evidence that oil consuming countries are better able to acquire crude oil through direct government dealings or that such purchases are made at lower prices than private transactions.

b. There has been an increasing effort by producing states to determine the destination of its oil:

-- How big a problem is this?

-- What can we do about it?

-- What is our policy and how are we trying to implement it?

A number of oil producing countries are placing destination controls on their crude oil sales. This restriction coupled with conditions governing resale and more restrictive loading schedules, have reduced the flexibility of the oil market and added to the cost of doing business. This is not yet a widespread development among oil producers, but it is one which we are watching closely. Destination controls are one of a number of conditions which may be put forward by the producers in negotiations with companies. The companies are better able to resist such conditions in a slack market. Reducing demand and increasing alternate supplies are therefore the key to increasing the buyers' bargaining power.

c. Fear seems to dominate the international oil scene today, with some 400 companies and entities scrambling for oil:

-- How can we seek to make the process more orderly?

-- What are the policy initiatives directed towards?

d. Oil contracts are made and broken at will, thereby promoting more panic in the market place:

-- How worried are you about this problem?

-- Does this difficulty and that of the chaotic scramble for oil argue for more rather than less of a government role because governments are perhaps better able to contend with such problems?

For much of the last year and a half, commencing with the decline in Iranian oil production, the world oil market has been dominated by uncertainty with respect to security of oil supplies. Although the shortfall in Iranian oil production in 1979 was less than the 7% shortage necessary to trigger the IEA allocation program, it created an atmosphere of panic. A number of oil supply contracts between the major oil companies and third party customers were not renewed; some producers sought unilaterally to re negotiate the terms of existing contracts and consuming countries, oil companies, and traders bid up oil prices on the spot market dramatically as they tried to ensure adequate supplies and rebuild inventories. The IEA countries implemented demand restraint programs to alleviate market demand pressures, with a measure of success, but this did not prevent OPEC countries from raising prices.

We have taken steps within the IEA to put a faster and more effective system of oil import ceilings in place in the event of a future shortfall below the IEA trigger point. The U.S. government has also examined a number of options which might be taken to prevent excessive price pressures during a shortfall. This is an area where there may be a need for an increased governmental role.

In a longer term sense, it is clear that restraining oil demand and finding alternative energy sources are the best solutions to cope with the problems facing the oil consuming developed countries. Our efforts in the IEA and at the Economic Summits are aimed at these objectives. Our domestic energy program is also guided by these same principles.

e. OPEC and the producing states are gaining direct control of oil: Companies no longer control the market place. In 1973, seven major companies controlled some 85% of the traffic. This is no longer true:

-- Is a countervailing force to the producing countries needed?

-- Is it U.S. policy to try to create countervailing force or not?

-- Do we need to confront the producers or is cooperation without confrontation possible?

Until our objectives of restraining oil demand and increasing alternative energy sources are achieved, we will remain dependent on OPEC oil and vulnerable to OPEC countries' pricing and production decisions. This vulnerability will persist whether OPEC oil is distributed through major oil companies or OPEC governments. (In fact, major oil companies still handle about the same percentage of total trade in crude oil and refined products as they did in 1973; while their share of trade in crude oil has declined, their share of trade in refined products has increased.) As indicated above, we are working both domestically and with other consuming nations to reduce our dependence and hence our vulnerability.

In our relations with OPEC countries, our policy has been to seek their cooperation and to try to influence them to moderate their pricing and production policies. We have endeavored to increase the producers' perception that their economic well-being is closely linked to that of the oil importing nations. We believe we have achieved some success in this regard. Some producer countries recognize the commonality of interest with us in a healthy world economy and have worked to achieve price stability while maintaining oil production at levels above their own revenue needs.

3. Discussions are now underway again between the United States and Israel regarding when and under what circumstances the 15-year oil agreement between Israel and the United States might be activated.

Do you see any grounds for activation of the agreement at this time?

-- The U.S. commitment is to sell oil to Israel when alternative supplies are not available to Israel, and the U.S. stands by that commitment. Oil is presently in relatively good supply in the world market, and Israel has been able to obtain enough oil to meet its requirements through its own efforts. Consequently, we do not believe conditions in the world oil market warrant activation of the supply commitment at this time. At such time as Israel cannot find enough oil to meet its needs, the U.S. will come to Israel's assistance.

4. If Saudi Arabia were producing only for domestic revenue and development requirements, what would its production at current prices likely be?

-- Would it be in the 4.5 - 5 m/b/d/ range?

The financial requirements of Saudi Arabia's new five year plan could probably be covered by exports of about 7 mb/d, if oil prices and the prices of Saudi Arabia's imports remained at current levels. Saudi Arabia could, however, lower oil production and development spending for a significant period without a major impact on the domestic economy.

Furthermore, the level of oil production necessary to finance economic development needs will be lower if oil prices increase relative to the prices of Saudi Arabia's imports.

5. Given current production capabilities, what do you estimate to be the maximum sustainable level of oil production for Saudi Arabia?

-- We accept industry estimates and statements by Saudi officials that their current sustainable production capability is about 10.5 mbpd.

6. Iraq is now OPEC's second largest oil producer and, I gather, has extremely good potential for adding to its known reserves (produced 3.4 m/b/d in 1979).

-- Why did Iraq, last year, apparently for the first time, let its production levels exceed requirements for domestic and foreign exchange needs?

The Iraqi government has indicated that it follows an oil policy which attempts to balance supply and demand and that it wishes to be helpful in meeting the energy needs of developing countries. It also appears to be interested in developing its relations with Japan and certain Western European countries and it continues to sell oil to Eastern Europe and the Soviet Union. These interests derive in part from Iraq's desire to win support for its positions on regional issues and to assume a leadership role in the non-aligned movement. Such considerations, we believe, largely account for Iraq's allowing production and exports to exceed the level necessary to meet its short-term revenue requirements.

a. What do you regard Iraq's oil strategy to be today?

Iraq's current oil strategy appears to be a continuation of its recent policies; Iraq shows a marked preference for supply contracts with governments, government-controlled companies, or companies with close ties to governments (e.g., Japanese trading companies). We expect it to continue to emphasize such bilateral deals with LDC's, Soviet Bloc countries, and selected OECD members.

It should be noted that Iraq has generally produced at a high percentage of its capacity. In 1973-74, for example, Iraq participated in the destination embargo against the U.S. and the Netherlands, but did not participate in production cuts. This traditional "high-production" policy may come under some pressure if markets remain soft and Iraq continues to accumulate large financial surpluses.

-- What do you see as Iraq's maximum sustainable level of production (should be around 4 m/b/d)?

We believe that your figure of 4 MMBD is a reasonable estimate of the maximum sustainable capacity Iraq would be able to reach in the near future.

b. How divided is the internal Iraqi debate on production levels?

In the absence of formal diplomatic relations we have little information on the internal Iraqi debate on production levels.

7. What is the state of repair for Iranian oil facilities today?

-- From where does Iran get spare parts for its oil industry equipment?
-- Are we providing any equipment or spare parts?
-- Is it in our national interest today for Iran to export oil or not?

Present exploration and maintenance programs do not appear adequate to keep Iranian oil production much above a level of about 2.5 - 3.5 million barrels a day. We are not providing spare parts and equipment, though some needed supplies are being obtained from countries that have not applied economic sanctions. We believe it is in our national interest for Iran to export oil, provided it does so at a price that does not exceed that charged elsewhere for oil of similar quality and distance from markets. An increase in Iranian exports on such a basis would help meet world oil requirements and restrain upward pressure on oil prices.

8. It has been suggested that Iran's oil capacity is declining at least 10 percent a year as a result of deteriorating surface facilities.

-- What does that mean and what would it take to restore capacity?

-- what are the principal problems?

Before the Iranian revolution, the National Iranian Oil company invested approximately 70 million dollars a month in programs to maintain and increase production onshore. Since the revolution the investment program has been scaled back drastically. Furthermore, implementation of this reduced program has been hampered by a lack of foreign technical assistance, an exodus of skilled Iranian technicians, and a deterioration of worker discipline in the oil fields. Routine maintenance has not been performed and work orders have not been carried out. This has resulted in sharp decline in capacity, but it is not possible to estimate accurately what current sustainable Iranian capacity is.

In order to restore capacity, the following steps would need to be taken:

(1) Back maintenance must be done.

(2) Many wells must be reworked.

(3) A reliable logistical supply system must be put in place.

(4) All above-ground facilities -- gas, oil separators, pipelines, storage tanks, controls, pumping stations, power stations -- must be maintained, repaired, replaced as needed, and brought back to full operating levels.

(5) The technical capabilities and discipline of Iranian workers must be brought back to near pre-revolutionary standards.

(6) An undetermined number of foreign technicians would be needed.

(7) An accelerated investment program would be needed.

The reservoirs have probably not been damaged, but production facilities are reported to be in bad condition.

In order to restore capacity to pre-revolutionary levels, reservoir studies would have to be completed, and a major investment program would have to be undertaken, including some gas reinjection.

Because tremendous demands have already been placed on the world's limited human and technical resources for oil exploration and development, long delays will be encountered by Iran in obtaining the rigs, drilling supplies, crews, oil field equipment, and pipeline supplies. Under the best political conditions, Iran may not be able to restore capacity to previous levels for several years.

9. What do you see as the potential of oil production in Egypt over the next five years?

-- What is Egypt producing today and what is it exporting?

-- Do you see possibilities that Egypt will be able to increase substantially its exports of crude in the near future?

-- What level of production does Egypt need to join OPEC?

Egypt has limited potential to increase its oil exports during the next five years. Currently Egypt is producing 0.6 MMB/D and exporting about 0.3 MMB/D. By the mid-1980s, Egypt's oil production may increase to about 0.8 MMB/D with exports of about 0.5 MMB/D.

The major requirement for joining OPEC is that oil exports be the principal source of foreign exchange earnings. In addition, there must be unanimous support from the current members.

10. Oman today has a production level close to the 1 m/b/d.

-- For how long in the future do you see Oman's ability to sustain small, but steady, levels of production?

Current Omani production is about 275,000 b/d. With development of a new field, this is expected to rise to 350,000 b/d in the fourth quarter of 1980. In view of recent discoveries, Oman should be able to maintain this level of production into the 1990s.

11. I gather that five American oil companies are now in Syria looking for oil.

-- Do you see any prospects there for healthy production?

-- In your calculations, how much export oil capacity do you see coming from these states over the next few years?

Oil production in Syria appears to have peaked in 1976 at about 200,000 barrels per day and is currently running slightly under 170,000 B/D.

Several U.S. companies are exploring in Syria, but their findings have thus far been inconclusive. Government statistics and current drilling results suggest in the next few years a greater export oil capacity is unlikely. (It should be noted that Syria also imports oil: it has contracted to import approximately 100,000 b/d of Iraqi light crude in 1980. This crude is mixed with the heavier Syrian crude and refined in Syria for domestic consumption.)

Syria's net exports will probably decline gradually from the present level of about 55,000 b/d, Oman's should remain close to 350,000 b/d, and Egypt's will rise gradually from the present level of about 260,000 b/d, perhaps to about 450,000 - 500,000 b/d. Thus, within the next few years we believe exports from these states may total about 850,000 b/d.

12. Is this not a propitious time to resume the Strategic Petroleum reserve fill because of the glut on the world oil market?

-- Do nations in Europe and does Japan have strategic petroleum reserves?

-- Which nations? How much? How many days worth of energy supply?

The Administration intends to comply fully with the provisions of the Energy Security Act dealing with filling the SPR. As the world oil market is now relatively stable, it would not be adversely affected by purchases for the SPR of moderate size. Market conditions, however, can change dramatically, and we will continue to monitor them carefully.

Japan and Germany maintain government-owned strategic stockpiles. These government stockpiles are quite small in comparison to commercially held stocks.

13. Questions arise regarding the kind of financial and economic inducements that consuming nations might offer to oil producers to encourage them to maintain or even increase oil production.

a. What is United States policy on this matter?

b. Is anyone in the United States government actively studying this matter?

c. Do you see the expanding of such inducements to be in our national interest or not?

Several oil-producing nations are likely to produce at levels near their maximum capacity in order to earn revenues needed for economic development. In those nations where production potential is largely relative to development needs, there are other factors which can induce them to maintain production levels above those needed to support their desired level in development. The most important factor in the case of Saudi Arabia and some other key producers is their recognition that they have an important long-run economic and political stake in a healthy, growing, stable world economy.

Some officials of oil-exporting countries have from time to time raised the question of special economic inducements to encourage oil production beyond the levels required by revenue needs. Most of the inducements that have been mentioned come under the headings of technology transfer or protection of the value of invested surpluses.

In a sense, of course, the bulk of our economic relations with Gulf producers, consists on our side of activities that can be called technology transfer. Most of this occurs through the private sector. Most of our commercial effort, in both goods and services, and our investment in Gulf nations involves technology transfer. The education and training of Gulf students in U.S. universities and by U.S. companies is technology transfer. The U.S. Government has also sought to play a useful role in transferring technology, for example in Saudi Arabia through the U.S. Army Corps of Engineers contract and the activities of the Joint Economic Commission.

Much of the technology that is in demand in the Gulf is widely available. Companies of many nationalities are eager to supply it. We, of course, want to supply as much of it as possible from the U.S. and the Gulf nations of course have the resources to shop for and buy what they deem best. All this said, the fact remains that there are physical and human limits to the rate at which these nations are able to absorb new technology and that these limits are narrow relative to the world's demand for Gulf producers' oil and the level of income implied by their demand.

The U.S. Government seeks to assist and facilitate this process of technology transfer to the extent possible.

The matter of indexed assets is discussed below.

14. Several ideas regarding expanding inducements have been discussed, including indexed bonds and the opening up of capital markets to further investment by the oil producers.

-- What is your attitude toward mechanisms, such as indexed bonds, for sopping up petro-dollars?

-- Does the U.S. regard greater OPEC investment in our capital markets as manageable and desirable?

The U.S. capital market is and will continue to be attractive for foreign investors, including those OPEC nations with financial surpluses. We welcome foreign investment and believe that the large size of the U.S. capital market and the investment strategies of OPEC nations work against undue concentration of OPEC investment. Foreign investment, whether originating from OPEC nations or elsewhere, brings important benefits in terms of jobs, capital formation and increased efficiency.

The question of maintaining the value of invested surpluses is part of our ongoing dialogue with appropriate oil-producing governments. The issue involves a number of factors including exchange-rate stability and control of inflation. Market interest rates, generally, take such factors into account.

The concept of an indexed asset, of course, raises several issues, including that of equal treatment for investors. Leading OPEC investors have not made this subject an issue in our dialogue. Rather, they stress the importance of open and orderly financial markets and the need to control world inflation.

15. What is the status of Iranian natural gas contracts with the Soviet Union?

-- Is IGAT-1 fully operational and sending gas to the Soviet Union?

-- What is the status of IGAT-2?

No agreement has been reached between Iran and the Soviet Union on future gas supply. The Iranians are asking for a several-fold increase in the price agreed to before the revolution. The IGAT-1 project is operating, but only to provide gas for domestic use. Construction of IGAT-2, to the best of our knowledge, has been cancelled.

APPENDIX 7

ADDITIONAL CHARTS OF OIL IMPORTS BY WESTERN COUNTRIES

ESTIMATED IMPORTS OF CRUDE OIL AND REFINED PRODUCTS, 1979

[In thousands of barrels per day]

	United States [1]	Japan	Canada	Western Europe	West Germany	France	United Kingdom	Italy	Netherlands	Spain	Other Western Europe
Algeria	634	6	10	458	196	102	15	59	18	30	38
Bahrain	1	33		Negl.			Negl.				
Egypt	35		7	67	8		59				
Iraq	108	265	10	1, 665	45	489	119	448	40	117	407
Kuwait	30	604	16	870	63	97	216	233	183	31	47
Libya	802	7		1, 055	358	83	12	306	24	110	162
Qatar	37	140		209	10	76	6	23	25	28	41
Saudi Arabia	1, 441	1, 871	183	3, 639	359	893	301	677	378	344	687
Syria	9	Negl.		60	17	43					
United Arab Emirates	329	510		730	151	173	59	56	86	99	106
OAPEC	3, 446	3, 436	226	8, 753	1, 207	1, 956	787	1, 802	754	759	1, 488
Ecuador	49		2								
Gabon	48			68	18	29		2	10	8	1
Indonesia	423	764		13	9	2		1	1		
Iran	440	520	40	932	233	140	66	47	112	89	245
Nigeria	1, 134	2		936	294	193	10	60	263	4	112
Venezuela	942	8	209	322	32	84	31	50	15	44	66
OPEC [2]	6, 417	4, 697	470	10, 897	1, 768	2, 361	835	1, 962	1, 155	904	1, 912
Canada	532			13	4		1	1	6	1	
Mexico	437										
Other [3]	960	905	147	[4] 2, 143	1, 175	358	577	472	591	137	1, 888
Total	8, 411	5, 635	624	[4] 13, 180	2, 972	2, 762	1, 471	2, 435	1, 752	1, 042	3, 800

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[1] Products traced to source of crude.

[2] OAPEC members excluding Bahrain, Egypt, and Syria plus other countries shown.

[3] Includes unknown.

[4] Excluding intra-West European trade.

NET OIL IMPORTS AND CONSUMPTION FOR SELECTED COUNTRIES

[In millions of barrels per day]

	1974	1975	1976	1977	1978	1979
Belgium-Luxembourg:						
Consumption	0.57	0.51	0.55	0.53	0.56	0.58
Net imports	.60	.51	.52	.55	.56	.56
Denmark:						
Consumption	.31	.31	.33	.34	.33	.33
Net imports	.34	.33	.32	.34	.33	.31
France:						
Consumption	2.38	2.22	2.40	2.26	2.37	2.42
Net imports	2.53	2.08	2.39	2.24	2.23	2.45
West Germany:						
Consumption	2.68	2.56	2.77	2.73	2.86	2.90
Net imports	2.64	2.45	2.67	2.67	2.77	2.90
Ireland:						
Consumption	.11	.10	.10	.11	.12	.13
Net imports	.11	.10	.10	.11	.12	.13
Italy:						
Consumption	2.08	1.92	1.99	1.91	1.96	1.98
Net imports	2.09	1.83	1.96	1.92	1.91	1.98
Netherlands:						
Consumption	.71	.69	.78	.74	.75	.84
Net imports	.72	.63	.75	.71	.71	.85
United Kingdom:						
Consumption	2.15	1.87	1.85	1.86	1.90	1.90
Net imports	2.24	1.77	1.61	1.06	.83	.38
Japan:						
Consumption	5.26	4.99	5.16	5.38	5.42	5.50
Net imports	5.40	4.97	5.24	5.45	5.42	5.62

APPENDIX 8

SUPPLEMENTAL QUESTIONS SUBMITTED BY THE SUBCOMMITTEE ON EUROPE AND THE MIDDLE EAST TO THE DEPARTMENT OF STATE AND ITS RESPONSES

***Question 1.* Has the Soviet Union significantly increased its naval activity in Aden, South Yemen this past year?**

Would you describe what the Soviets have been doing there?

What is the level of Soviet naval presence in the Indian Ocean?

How does it compare with U.S. naval deployments?

Do the Soviets have the same commercial interest in the Indian Ocean sea lanes that the United States has and, therefore, the same requirements for a naval presence there?

Answer. [Security deletion.]

***Question 2.* Immediately after the Soviets invaded Afghanistan, there was some unity in the Muslim world expressing outrage and opposition to the Soviet aggression.**

Are the feelings in opposition to the Soviet invasion in the Muslim world as strong and as unified now as they were early in 1980?

Has anything concrete emerged from the meetings and general outcry that followed the invasion:

- **Regional cooperation?**
- **More arms purchases?**
- **Cooperation with the West?**

Answer. The Islamic world's indignation and outrage with the Soviet invasion of Afghanistan was expressed with unequivocal clarity in two meetings of the Islamic Foreign Ministers Conference (January and May, 1980). The latter meeting of the Conference created a Standing Committee (composed of Pakistan, Iran and the IC Secretary General) assigned with the task of exploring ways of effecting Soviet withdrawal from Afghanistan. Pakistani Foreign Minister Agha Shahi, Iranian Foreign Minister Ghotbzadeh, and Secretary General Habib Chatti, have attracted considerable public attention to their mission.

The committee has recently been weakened by the absence of Ghotbzadeh whose role in the Iranian regime has changed and who, apparently, will not continue in the committee.

While Iran's declared opposition to the Soviet's adventure in Afghanistan has not changed, the loss of the outspoken Ghotbzadeh has decreased the visibility of the committee. While we do not see evidence of a more general lessening of Islamic opposition to the Soviet invasion, the lack of more concrete results so far may be having a dampening effect on the enthusiasm we saw earlier in the year. The Islamic nations have also used various other fora (e.g., Arab League, Asian Commonwealth Nations, U.N. etc.) for keeping their opposition to Soviet presence in Afghanistan in the forefront of world attention.

***Question 3.* Was our policy of arms restraint in the Lower Gulf in the 1970's adversely affected by the delivery by France of Mirage fighters and AMX tanks to the area and by Britain of Rapier SAM systems and Jaguar strike aircraft?**

What successes, if any, would you attribute to our policy of restraint?

Why did the arms sales policy become increasingly controversial among the states of the area?

Answer. We believe that our policy of arms restraint in the Lower Gulf was successful throughout the 1970s in contributing to regional stability and helping to keep the general pattern of defense equipment sales within the bounds dictated by the absorptive capacity of the area's states. We believe further that the other Western nations which provided arms to the region, as well as the Gulf states receiving their equipment, understood our policy's rationale and generally supported it. Of course, certain sales—and decisions not to sell—were the subject

of debate, since any policy of this nature must be implemented through judgments in individual cases.

The sales of Mirage fighters, AMX tanks, Rapier systems, and Jaguar aircraft by France and Britain did not adversely affect the general validity of our policy; in turn, our policy has always recognized the role of the defense supply relationships existing between Gulf states and our European allies.

As we enter the 1980's, U.S. worldwide arms transfer policy emphasizes the principle of restraint. In the Lower Gulf we will take account, as in the past, of the evolving situation in terms of the defense needs of the region, as the nature of the threat to it changes, and of the absorptive capabilities of the Gulf states.

Question 4. To which states are the Soviets supplying arms in the region?

Answer. The Soviets have supplied arms in increasing amounts to eight states in the Indian Ocean region: Iraq, South Yemen, North Yemen, India, Ethiopia, Tanzania, Mozambique and Madagascar. The following table depicts, in millions of dollars worth of arms delivered, the pattern since 1975:

[Security deletion.]

Question 5. Beyond arms sales to states in the region and the base agreement with Oman, have we undertaken military cooperation or joint naval or air exercises with any of the states in the region?

Are we planning military cooperation or joint exercises with Saudi Arabia once it has F-15's in inventory?

Answer. It should be stressed that we do not have a base agreement with Oman. We have secured access to Omani facilities and we are discussing similar arrangements with Egypt aimed at an upgrade of the Egyptians' own base at Ras Banas.

The first joint training effort with Egypt involving the deployment of a squadron of USAF F-4E fighters (Proud Phantom) is now in its final stages at the Cairo West Main Egyptian Air Force operating base. Discussions are also underway with Egypt looking toward a maneuver in Egypt late this year involving a battalion-sized unit of the RDJTF.

For the last two years, ships of our MIDEASTFOR command have conducted limited, short duration "passing exercises" with ships of the Omani Navy during transits near Omani waters.

With deliveries of the first Saudi F-15's still about two years off, and full absorption of these aircraft even farther in the future, it is premature to consider the possibility of joint exercises.

Question 6. What allied nations have increased their naval deployments in and around the Indian Ocean and Persian Gulf in recognition of the importance of this region to the Western democracies?

Which have done nothing?

Answer. [Security deletion.]

The French already maintain a substantial permanent naval presence in the Indian Ocean area of approximately 13–14 ships.

The British deployed a small task force through the Indian Ocean region this year, as they have done annually since 1975.

The FRG has increased somewhat its naval activities in the Indian Ocean. It recently carried out its pre-Afghanistan plans to deploy a small naval task force to the Indian Ocean, which was designed to improve training for German crews.

Three ships of the Italian Navy made a round-the-world cruise between July 1979 and February 1980, during which they made port calls in the Sudan, UAE, India, Sri Lanka, Indonesia, and Singapore.

The Australians conduct regular naval reconnaissance and ASW training missions in the Indian Ocean.

Question 7. There have been recent reports that the Pakistanis have offered to place troops in Saudi Arabia.

Are those reports accurate?

What has been the Saudi reaction?

Answer. On August 25th a Government of Pakistan spokesman said publicly that his government is not negotiating with the Saudi Arabian Government to send Pakistani troops to that country. The spokesman acknowledged at that time that Pakistan has been providing Saudi Arabia technical assistance under a 1967 agreement (which was renewed this year) but did not give details of the assistance.

Neither the Saudis nor the Pakistanis have advised us of any new agreement to provide Pakistani troops for Saudi Arabia.

Question 8. In 1973, the State Department testified the U.S. military sales to Kuwait were designed to create "a force large enough to hold off an aggressor for a few days until help comes from other sources." Since then, we have been involved in a program involving mainly A-4 aircraft, an air defense system, and APC's.

Have we accomplished the goal we sought?

What is the status of the I-Hawk program?

How bad have been the delays and when will it be operational?

Answer. We believe that the U.S. military sales program in Kuwait is operating well. The problems have been normal and manageable. The goal of helping Kuwait to create a credible defense force suitable to the country's size, location, and evolving manpower capabilities is well on the way to being realized. The I-Hawk system is in place and has undergone initial tests which have proved successful.

Question 9. Kuwait recently decided to purchase the Soviet FROG surface-to-surface missile and Grail manportable air defense system, their first purchases from a communist supplier.

What prompted this decision?

What impact is it having on our own program?

Do they need both our I-Hawk and their Grail air defense systems?

Answer. The Government of Kuwait has emphasized its desire to purchase military equipment from a variety of countries. The agreement to purchase FROG surface-to-surface missiles and SA-7 MANPADs from the USSR was signed more than three years ago and deliveries have been completed for some time now. The U.S. has followed a policy of exercising extreme care in the sale of MANPADs such as REDEYE, a policy of which the Kuwaitis are aware. The Soviets have sold such equipment to a number of countries throughout the world. They probably required the Kuwaitis to purchase the FROG, a system for which the Kuwaitis have few practical applications, as part of the SA-7 deal. The I-Hawk and the SA-7 systems are designed to cover different parts of the air defense spectrum and, as such, they are complementary rather than redundant systems.

Question 10. Kuwait has a military of some 10,000 but its capacity to absorb additional equipment is limited.

What constraints has this put on our program?

Do you worry about the prevailing Kuwaiti view that it can and should substitute more sophisticated military technology for severe manpower shortages?

Answer. The Kuwait government has, throughout our military sales relationship spanning almost a decade, realistically evaluated its absorptive capacity. After an initial surge, when Britain withdrew its historic military presence from the Gulf, during which Kuwait bought A-4 fighter aircraft, the I-Hawk, self propelled howitzers, and APCs, that nation's armed forces have entered a "consolidation phase" emphasizing absorption of this material. We consider this strategy sensible.

As a general planning approach toward a viable if limited self-defense capability, it makes sense to emphasize technology-intensive over labor-intensive objectives. However, this general strategy has been pursued with due regard to the limits of absorptive capacity—as witness the consolidation through which Kuwaits' armed forces are currently going.

Question 11. Enlisted personnel present a great problem in terms of numbers, training and retention.

How effectively is Kuwait dealing with these problems?

Answer. It is true there are several problems related to recruitment and retention within the Kuwaiti armed forces. We have similar difficulties in our own armed forces, and they are not at all unexpected within the general context of accelerated social change through which Kuwait is passing. The country has made significant progress in recent years in building up its military manpower at both the officer and enlisted levels. While increasing the numbers of men in uniform, Kuwait has also improved their training across the board.

Question 12. Do you now foresee any additional major purchases from the United States in the next few years?

What follow-on aircraft do the Kuwaitis seek?

Answer. We have not received any requests from Kuwait for large-scale defense purchases to be initiated over the next few years. Of course, we may yet receive such a request. We will study each of them on its merits and in the context of our arms sales policy and Kuwait's evolving needs and capabilities.

Question 13. How is the present arrangement with the Government of Bahrain regarding the use of Bahraini port facilities by the naval contingent MIDEASTFOR working out? How much of the year are ships there?

Answer. The current arrangement is working to the satisfaction of both governments. Under a standard commercial arrangement, ships of MIDEASTFOR berth in Bahrain up to 120 days a year.

Question 14. There has been talk of helicopters and patrol boats being sold to Bahrain.

Answer. We are not currently engaged in active discussions with Bahrain for any major item of military equipment other than an air defense capability based upon I-Hawk. A small DOD technical survey team will go to Bahrain in the near future to evaluate more fully Bahraini needs in this context, Last year, Bahrain acquired several helicopters from the Italian firm of Agusta-Bell for which U.S. munitions control clearance was required. Other than providing this clearance and selling a small quantity of rockets and rocket pods with which to arm these helicopters, we were not involved in the sale. In the area of patrol boats, U.S. naval inventories lack the sort of craft cogent to Bahrain's needs. A number of European shipyards have opted to concentrate on meeting the coastal patrol requirements of small countries such as Bahrain. Several other Gulf states already have such craft operational in their inventories.

Question 15. Do you expect that, if purchases are made by the UAE, other states will persist in requests for more sophisticated arms?

Answer. We would prefer to avoid speculation on the impact of UAE purchase of U.S. military hardware or the expectations of neighboring countries since, to date, the UAE has not formally requested purchase of any major equipment. Two points should be borne in mind, however. First, the material we have discussed thus far informally with the UAE does not come under the heading of leading-edge technology. Second, the items under consideration—armor, artillery, air defense, and air transport equipment—have been sold previously in the region.

Question 16. How would you describe the function of the U.S.-Oman Commission on Economic and Technical Cooperation?

Answer. The U.S.-Omani Joint Commission will be the focal point for encouraging economic and commercial ties between the two countries, with particular emphasis on the transfer of American technology for Oman's development. It will seek to engage U.S. Government resources and private American business firms, foundations, and educational institutions in this effort. It will identify possible projects for joint financing and promote economic and commercial links in other appropriate ways.

The U.S. Government plans to contribute to the commission in the form of Economic Support Fund grants and loans, Export-Import financing, and possibly Overseas Private Investment Corporation funding. The Omani government will also contribute to the commission's work.

The commission will be located in Muscat, Oman, and will be chaired jointly by the U.S. Ambassador to Oman and the Under-Secretary of the Omani Ministry of Foreign Affairs. The U.S. Agency for International Development will assign personnel to the commission's staff and there will also be Omani staff members.

Question 17. How well and effectively have the Omanis been able to integrate the sophisticated Rapier-Jaguar system into its defense structure?

Answer. Oman is moving forward with a realistic and measured program for integration of recently acquired military equipment. Its Jaguars are currently being flown largely by British contract pilots, although Omanis are transitioning from the earlier Hunters into the Jaguars. Omani pilots have demonstrated considerable proficiency in handling the Hunter. Integration of the Rapier into the Omani inventory has been a test case for the Omanization program in that it has been operated from the beginning entirely by Omani officers and men. These Omani operators have shown themselves fully capable of running the Rapier system effectively—to date, Oman's only ground-based air defense weapon.

Question 18. There have been reports of two Omani armed forces personnel problems in recent months:

> The questionable duration of the stay in Oman of the some 45 percent of the enlisted personnel who are Baluchi tribesmen from across the Gulf: and
>
> The slow pace of Omanization of the armed forces officer corps, and the continued presence of British seconded officers in key positions.

What progress is being made in resolving these problems?

Do the armed forces of Oman face severe manpower shortages?

Answer. [Security deletion.]

Question 19. Do you see the Omani armed forces continuing to receive British and Jordanian support and Saudi financial aid?

Do you foresee a greater U.S. role?

Do you see Oman continuing to rely mainly on British equipment?

Answer. For the time being, we expect that the British will continue as a source of both seconded and contract officers and technicians. Jordan's major role as a contributor to Oman's force capabilities was phased out shortly after the active containment of the Dhofar rebellion was successfully concluded five years ago. We hope and expect that Saudi Arabia will continue to contribute financially to the Sultanate's defense needs.

Over the last year or so the U.S. and Oman have been developing a more substantial security assistance relationship. In recent months we have undertaken a small IMET program and extended limited credits under FMS. We do not, however, visualise the U.S. taking over from the British their traditional role as Oman's principal source of military equipment and training.

Oman's military forces are preponderantly equipped with British hardware, materiel with which they are familiar and upon which they have come to depend. As it has done in the purchase of TOW and Sidewinder and as it is considering in discussions with us concerning transport aircraft and artillery, Oman wishes to consider our weapons and equipment as materiel which is complementary to its predominantly British inventory.

Question 20. What do you estimate to be the U.S. presence in Oman today? What percentage of it is military and how will it increase in the next few years?

Answer. The total number of Americans in Oman, both official and private, is approximately 600, of which about 60 are personnel of the U.S. Government and their dependents. The latter figure includes four persons working in the Defense Attache Office, the only U.S. military personnel on long-term assignment in Oman at present. A small number of additional military personnel have augmented the work of Defense Attache Office on assignments which vary from a few days to a year. All of these are attached to the Defense Attache Office within the Embassy.

It is not possible at this time to forecast accurately the extent to which the official U.S. presence will change in the next few years. A modest increase is envisaged on both the civilian and military sides.

OCTOBER 1980.

APPENDIX 9

PRESIDENT CARTER'S STATE OF THE UNION ADDRESS (JAN. 23, 1980)

Following is President Carter's State of the Union address to the second session of the 96th Congress on January 23, 1980.

These last few months have not been an easy time for any of us. As we meet tonight, it has never been more clear that the state of our union depends on the state of the world. And tonight, as throughout our own generation, freedom and peace in the world depend on the state of our union.

The 1980s have been born in turmoil, strife, and change. This is a time of challenge to our interests and our values, and it's a time that tests our wisdom and our skills. At this time in Iran 50 Americans are still held captive, innocent victims of terrorism and anarchy. Also at this moment, massive Soviet troops are attempting to subjugate the fiercely independent and deeply religious people of Afghanistan. These two acts—one of international terrorism and one of military aggression—present a serious challenge to the United States of America and indeed to all the nations of the world. Together, we will meet these threats to peace.

I am determined that the United States will remain the strongest of all nations, but our power will never be used to initiate a threat to the security of any nation or to the rights of any human being. We seek to be and to remain secure—a nation at peace in a stable world. But to be secure we must face the world as it is. Three basic developments have helped to shape our challenges:

- The steady growth and increased projection of Soviet military power beyond its own borders;
- The overwhelming dependence of the Western democracies on oil supplies from the Middle East; and
- The press of social and religious and economic and political change in the many nations of the developing world—exemplified by the revolution in Iran.

Each of these factors is important in its own right. Each interacts with the others. All must be faced together—squarely and courageously.

We will face these challenges. And we will meet them with the best that is in us. And we will not fail.

The 1980s have been born in turmoil and change. This is a time of challenge to our interests and our values, a time that tests our wisdom and our will.

In response to the abhorrent act in Iran, our nation has never been aroused and unified so greatly in peacetime. Our position is clear. The United States will not yield to blackmail. We continue to pursue these specific goals:

- First, to protect the present and long-range interests of the United States;
- Secondly, to preserve the lives of the American hostages and to secure as quickly as possible their safe release;
- If possible, to avoid bloodshed which might further endanger the lives of our fellow citizens;
- To enlist the help of other nations in condemning this act of violence which is shocking and violates the moral and the legal standards of a civilized world;
- To convince and to persuade the Iranian leaders that the real danger to their nation lies in the north in the Soviet Union and from the Soviet troops now in Afghanistan and that the unwarranted Iranian quarrel with the United States hampers their response to this far greater danger to them.

If the American hostages are harmed, a severe price will be paid. We will never rest until every one of the American hostages is released. But now we face a broader and more fundamental challenge in this region because of the recent military action of the Soviet Union. Now, as during the last three and one-half decades, the relationship between our country—the United States of America—and the Soviet Union is the most critical factor in determining whether the world will live in peace or be engulfed in global conflict.

Since the end of the Second World War, America has led other nations in meeting the challenge of mounting Soviet power. This has not been a simple or a static relationship. Between us there has been cooperation, there has been competition, and at times there has been confrontation.

- In the 1940s, we took the lead in creating the Atlantic alliance in response to the Soviet Union's suppression and then consolidation of its East European empire and the resulting threat of the Warsaw Pact to Western Europe.
- In the 1950s, we helped to contain further Soviet challenges in Korea and in the Middle East, and we re-armed, to assure the continuation of that containment.
- In the 1960s, we met the Soviet challenges in Berlin and we faced the Cuban missile crises, and we sought to

engage the Soviet Union in the important task of moving beyond the cold war and away from confrontation.

- And in the 1970s, three American Presidents negotiated with the Soviet leaders in attempts to halt this growth of the nuclear arms race. We sought to establish rules of behavior that would reduce the risks of conflict, and we searched for areas of cooperation that could make our relations reciprocal and productive—not only for the sake of our two nations, but for the security and peace of the entire world.

In all these actions, we have maintained two commitments: to be ready to meet any challenge by Soviet military power and to develop ways to resolve disputes and to keep the peace.

Preventing nuclear war is the foremost responsibility of the two superpowers. That is why we've negotiated the strategic arms limitation talks—treaties SALT I and SALT II. Especially now in a time of great tension, observing the mutual constraints imposed by the terms of these treaties will be in the best interest of both countries and will help to preserve world peace. I will consult very closely with the Congress on this matter as we strive to control nuclear weapons. That effort—to control nuclear weapons—will not be abandoned.

We superpowers will also have the responsibility to exercise restraint in the use of our great military force. The integrity and the independence of weaker nations must not be threatened. They must know that in our presence they are secure. But now the Soviet Union has taken a radical and an aggressive new step. It's using its great military power against a relatively defenseless nation. The implications of the Soviet invasion of Afghanistan could pose the most serious threat to the peace since the Second World War.

The vast majority of nations on Earth have condemned this latest Soviet attempt to extend its colonial domination of others and have demanded the immediate withdrawal of Soviet troops. The Moslem world is especially and justifiably outraged by this aggression against an Islamic people. No action of a world power has ever been so quickly and so overwhelmingly condemned.

But verbal condemnation is not enough. The Soviet Union must pay a concrete price for their aggression. While this invasion continues, we and the other nations of the world cannot conduct business as usual with the Soviet Union.

That's why the United States has imposed stiff economic sanctions on the Soviet Union.

I will not issue any permits for Soviet ships to fish in the coastal waters of the United States.

I've cut Soviet access to high-technology equipment and to agricultural products.

I've limited other commerce with the Soviet Union, and I've asked our allies and friends to join with us in restraining their own trade with the Soviets and not to replace our own embargoed items.

And I have notified the Olympic Committee that with Soviet invading forces in Afghanistan, neither the American people nor I will support sending an Olympic team to Moscow.

The Soviet Union is going to have to answer some basic questions: Will it help promote a more stable international environment in which its own legitimate, peaceful concerns can be pursued? Or will it continue to expand its military power far beyond its genuine security needs, and use that power for colonial conquest?

If the American hostages are harmed, a severe price will be paid. We will never rest until every one of the American hostages is released.

The Soviet Union must realize that its decision to use military force in Afghanistan will be costly to every political and economic relationship it values.

The region which is now threatened by Soviet troops in Afghanistan is of great strategic importance. It contains more than two-thirds of the world's exportable oil. The Soviet effort to dominate Afghanistan has brought Soviet military forces to within 300 miles of the Indian Ocean and close to the Straits of Hormuz—a waterway through which most of the world's oil must flow. The Soviet Union is now attempting to consolidate a strategic position, therefore, that poses a grave threat to the free movement of Middle East oil.

This situation demands careful thought, steady nerves, and resolute action, not only for this year but for many years to come. It demands collective efforts to meet this new threat to security in the Persian Gulf and in southwest Asia. It demands the participation of all those who rely on oil from the Middle East and who are concerned with global peace and stability. And it demands consultation and close cooperation with countries in the area which might be threatened.

Meeting this challenge will take national will, diplomatic and political wisdom, economic sacrifice, and, of course, military capability. We must call on the best that is in us to preserve the security of this crucial region.

Let our position be absolutely clear: An attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America, and such an assault will be repelled by any means necessary, including military force.

During the past 3 years you have joined with me to improve our own security and the prospects for peace, not only in the vital oil producing area of the Persian Gulf region but around the world.

- We've increased annually our real commitment for defense, and we will sustain this increase of effort throughout the 5-year defense program. It's imperative that the Congress approve this strong defense budget for 1981 encompassing a 5% real growth in authorizations without any reduction.
- We are also improving our capability to deploy U.S. military forces rapidly to distant areas.
- We have helped to strengthen NATO and our other alliances. And recently we and other NATO members have decided to develop and to deploy modernized intermediate-range nuclear forces to meet an unwarranted and increased threat from the nuclear weapons of the Soviet Union.
- We are working with our allies to prevent conflict in the Middle East. The Peace Treaty between Egypt and Israel is a notable achievement which represents a strategic asset for America and which also enhances prospects for regional and world peace. We are now engaged in further negotiations to provide full autonomy for the people of the West Bank and Gaza, to resolve the Palestinian issue in all its aspects, and to preserve the peace and security of Israel. Let no one doubt our commitment to the security of Israel. In a few days we will observe an historic event when Israel makes another major withdrawal from the Sinai and when ambassadors will be exchanged between Israel and Egypt.
- We've also expanded our own sphere of friendship. Our deep commitment to human rights and to meeting human needs has improved our relationship with much of the Third World. Our decision to normalize relations with the People's Republic of China will help to preserve peace and stability in Asia and in the western Pacific.
- We've increased and strengthened our naval presence in the Indian Ocean, and we are now making arrangements for key naval and air facilities to be used by our forces in the region of northeast Africa and the Persian Gulf.
- We've reconfirmed our 1959 agreement to help Pakistan preserve its independence and its integrity. The United States will take action—consistent with our own laws—to assist Pakistan in resisting any outside aggression. And I'm asking the Congress specifically to reaffirm this agreement. I'm also

working, along with the leaders of other nations, to provide additional military and economic aid for Pakistan. That request will come to you in just a few days.

- In the weeks ahead, we will further strengthen political and military ties with other nations in the region.
- We believe that there are no irreconcilable differences between us and any Islamic nation. We respect the faith of Islam, and we are ready to cooperate with all Moslem countries.
- Finally, we are prepared to work with other countries in the region to share a cooperative security framework that respects differing values and political beliefs, yet which enhances the independence, security, and prosperity of all.

All these efforts combined emphasize our dedication to defend and preserve the vital interests of the region and of the nation, which we represent, and those of our allies in Europe and the Pacific and also in the parts of the world which have such great strategic importance to us, stretching especially through the Middle East and southwest Asia. With your help, I will pursue these efforts with vigor and with determination. You and I will act as necessary to protect and to preserve our nation's security.

The men and women of America's Armed Forces are on duty tonight in many parts of the world. I'm proud of the job they're doing, and I know you share that pride. I believe that our volunteer forces are adequate for current defense needs. And I hope that it will not become necessary to impose the draft. However, we must be prepared for that possibility. For this reason, I have determined that the selective service system must now be revitalized. I will send legislation and budget proposals to the Congress next month so that we can begin registration and then meet future mobilization needs rapidly if they arise.

We also need clear and quick passage of a new charter to define the legal authority and accountability of our intelligence agencies. We will guarantee that abuses do not recur, but we must tighten our controls on sensitive intelligence information. And we need to remove unwarranted restraints on America's ability to collect intelligence.

The decade ahead will be a time of rapid change, as nations everywhere seek to deal with new problems and age-old tensions. But America need have no fear—we can thrive in a world of change if we remain true to our values and actively engage in promoting world peace.

We will continue to work as we have for peace in the Middle East and southern Africa. We will continue to build our ties with developing nations, respecting and helping to strengthen their national independence, which they have struggled so hard to achieve. And we will continue to support the growth of democracy and the protection of human rights.

In repressive regimes, popular frustrations often have no outlet except through violence. But when peoples and their governments can approach their problems together—through open, democratic methods—the basis for stability and peace is far more solid and far more enduring. That is why our support for human rights in other countries is in our own national interest as well as part of our own national character.

Peace—a peace that preserves freedom—remains America's first goal. In the coming years as a mighty nation, we will continue to pursue peace. But to be strong abroad we must be strong at home. And in order to be strong, we must continue to face up to the difficult issues that confront us as a nation today.

The crises in Iran and Afghanistan have dramatized a very important lesson: Our excessive dependence on foreign oil is a clear and present danger to our nation's security. The need has never been more urgent. At long last, we must have a clear, comprehensive energy policy for the United States.

As you well know, I have been working with the Congress in a concentrated and persistent way over the past 3 years to meet this need. We have made progress together. But Congress must act promptly now to complete final action on this vital energy legislation. Our nation will then have a major conservation effort, important initiatives to develop solar power, realistic pricing based on the true value of oil, strong incentives for the production of coal and other fossil fuels in the United States, and our nation's most massive peacetime investment in the development of synthetic fuels.

The Soviet Union is going to have to answer some basic questions: Will it help promote a more stable international environment in which its own legitimate, peaceful concerns can be pursued? Or will it continue to expand its military power far beyond its genuine security needs, and use that power for colonial conquest?

The American people are making progress in energy conservation. Last year we reduced overall petroleum consumption by 8% and gasoline consumption by 5% below what it was the year before.

Now we must do more. After consultation with the governors, we will set gasoline conservation goals for each of the 50 States, and I will make them mandatory if these goals are not met. I've established an import ceiling for 1980 of 8.2 million barrels a day—well below the level of foreign oil purchases in 1977. I expect our imports to be much lower than this, but the ceiling will be enforced by an oil import fee if necessary. I'm prepared to lower our imports still further if the other oil consuming countries will join us in a fair and mutual reduction. If we have a serious shortage, I will not hesitate to impose mandatory gasoline rationing immediately.

The single biggest factor in the inflation rate last year—the increase in the inflation rate last year—was from one cause: the skyrocketing prices of OPEC oil. We must take whatever actions are necessary to reduce our dependence on foreign oil and at the same time, to reduce inflation.

As individuals and as families, few of us can produce energy by ourselves. But all of us can conserve energy—every one of us, every day of our lives. Tonight I call on you—in fact all the people of America—to help our nation. Conserve energy. Eliminate waste. Make 1980 indeed a year of energy conservation.

Of course, we must take other actions to strengthen our nation's economy.

First, we will continue to reduce the deficit and then to balance the federal budget.

Second, as we continue to work with business to hold down prices, we will build also on the historic national accord with organized labor to restrain pay increases in a fair fight against inflation.

Third, we will continue our successful efforts to cut paperwork and to dismantle unnecessary government regulation.

Fourth, we will continue our progress in providing jobs for America, concentrating on a major new program to provide training and work for our young people, especially minority youth. It has been said that "a mind is a terrible thing to waste." We will give our young people new hope for jobs and a better life in the 1980s.

And **fifth**, we must use the decade of the 1980s to attack the basic structural weaknesses and problems in our economy, through measures to increase productivity, savings, and investment.

With these energy and economic policies, we will make America even stronger at home in this decade—just as our foreign and defense policies will make us stronger and safer throughout the world.

We will never abandon our struggle for a just and a decent society here at home. That's the heart of America, and it's the source of our ability to inspire other people to defend their own rights abroad. Our material resources, great as they are, are limited. Our problems are too complex for simple slogans or for quick solutions. We cannot solve them without effort and sacrifice. Walter Lippmann once reminded us:

> You took the good things for granted. Now you must earn them again. For every right that you cherish, you have a duty which you must fulfill. For every good which you wish to preserve, you will have to sacrifice your comfort and your ease. There is nothing for nothing any longer."

Our challenges are formidable. But there's a new spirit of unity and resolve in our country. We move into the 1980s with confidence and hope and a bright vision of the America we want:

- An America strong and free;
- An America at peace;
- An America with equal rights for all citizens and for women guaranteed in the United States Constitution;
- An America with jobs and good health and good education for every citizen;
- An America with a clean and bountiful life in our cities and on our farms;
- An America that helps to feed the world;
- An America secure in filling its own energy needs;
- An America of justice, tolerance, and compassion.

. . . I have notified the Olympic Committee that with Soviet invading forces in Afghanistan, neither the American people nor I will support sending an Olympic team to Moscow.

For this vision to come true, we must sacrifice, but this national commitment will be an exciting enterprise that will unify our people. Together as one people let us work to build our strength at home. And together as one indivisible union, let us seek peace and security throughout the world. Together let us make of this time of challenge and danger a decade of national resolve and of brave achievement. ■

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